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\* PROGRAM: 41ST ANNUAL NATIONAL AGRICULTURE-  
OUTLOOK CONFERENCE; NOVEMBER 18 TO 21, 1963;  
U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

90  
20w8



\* OUTLOOK 1964

Monday, November 18

9:00 REGISTRATION: USDA, South Building, 5th Wing Entrance,  
Independence Avenue

THOMAS JEFFERSON MEMORIAL AUDITORIUM  
Agriculture South Building

Nathan M. Koffsky, Administrator,  
Economic Research Service, USDA, Chairman

9:30 Opening of Conference  
Lloyd H. Davis, Administrator, FES, USDA

9:40 Turbulence in the Crystal Ball  
Charles S. Murphy, Under Secretary of Agriculture

THE SITUATION AND OUTLOOK FOR 1964

10:00 The Agricultural Outlook for 1964  
C. Kyle Randall, Chief, Farm Income Branch, ERS, USDA

10:45 INTERMISSION

11:00 National Economic Situation and Outlook for 1964  
Rex F. Daly, Chief, Outlook and Projections Branch, ERS, USDA

11:30 PANEL DISCUSSION -- Nathan M. Koffsky, USDA, Moderator

C. Kyle Randall, USDA

Rex F. Daly, USDA

John A. Schnittker, Staff Economist, AE, USDA

Louis J. Paradiso, Associate Director,  
Office of Business Economics, Department of Commerce

Arynness Joy Wickens, Department of Labor

James H. Knowles, Executive Director,  
Congressional Joint Economic Committee

12:30 - 2:00 LUNCH PERIOD

60080  
2118  
(25)

Monday Afternoon

THOMAS JEFFERSON MEMORIAL AUDITORIUM

George L. Mehren, Assistant Secretary, USDA, Chairman

FOREIGN TRADE OUTLOOK

- 2:00 Current Developments  
Raymond A. Ioanes, Administrator, FAS, USDA
- 2:45 Long-Term Implications  
Willard W. Cochrane, Director, AE, USDA
- 3:15 INTERMISSION
- 3:30 PANEL DISCUSSION -- George L. Mehren, USDA, Moderator  
Raymond A. Ioanes, USDA  
Willard W. Cochrane, USDA  
Joseph A. Greenwald, Director, Office of International Trade,  
Department of State  
Irwin R. Hedges, Agricultural Trade Specialist,  
Office of Special Representative for Trade Negotiations
- 4:30 ADJOURNMENT

Tuesday, November 19

THOMAS JEFFERSON MEMORIAL AUDITORIUM

Carl P. Heisig, Deputy Administrator for Agricultural Economics,  
Economic Research Service, USDA, Chairman

THE AGRICULTURAL OUTLOOK AND THE CONSUMER

- 9:30 Nutritional Trends and the Consumer's Food  
Ruth M. Leverton, Assistant Administrator, ARS, USDA
- 9:55 The Marketing Outlook  
Kenneth E. Ogren, Director, Marketing Economics Division,  
ERS, USDA

Tuesday, November 19

THOMAS JEFFERSON MEMORIAL AUDITORIUM

- 10:20 Changing Patterns of Consumer Spending  
Laura Mae Webb, Bureau of Labor Statistics,  
Department of Labor
- 10:45 INTERMISSION
- 11:00 PANEL DISCUSSION -- Carl P. Heisig, USDA, Moderator
- Ruth M. Leverton, USDA
- Kenneth E. Ogren, USDA
- Laura Mae Webb, Department of Labor
- Dorothy H. Jacobson, Assistant to the Secretary, USDA
- Barbara Higgins, Extension Home Management Specialist,  
University of Massachusetts
- Gene A. Futrell, Extension Economist, Ohio State University
- 12:00 - 2:00 LUNCH PERIOD

Tuesday Afternoon

THOMAS JEFFERSON MEMORIAL AUDITORIUM

Willard W. Cochrane, Director, Agricultural Economics, USDA, Chairman

ECONOMIC PROJECTIONS FOR AGRICULTURE

- 2:00 The Uses and Abuses of Projections  
Frederick V. Waugh, Research Adviser to the Administrator, ERS, USDA
- 2:30 Agriculture - 5 Years Ahead  
Rex F. Daly, Chief, Outlook and Projections Branch, ERS, USDA
- 3:00 Analysis of Farm Program Alternatives  
Luther G. Tweeten, Assistant Professor of Agricultural Economics,  
Oklahoma State University
- 3:30 INTERMISSION

Tuesday Afternoon

THOMAS JEFFERSON MEMORIAL AUDITORIUM

- 3:45 PANEL DISCUSSION -- Willard W. Cochrane, USDA, Moderator  
Frederick V. Waugh, USDA  
Rex F. Daly, USDA  
Luther G. Tweeten, Oklahoma State University  
J. Carroll Bottum, Professor of Agricultural Economics,  
Purdue University
- 4:45 ADJOURNMENT

Wednesday, November 20

GENERAL SESSION  
THOMAS JEFFERSON MEMORIAL AUDITORIUM  
Agriculture South Building

Nathan M. Koffsky, Administrator,  
Economic Research Service, USDA, Chairman

- 9:15 World Markets for American Agriculture  
Address by Orville L. Freeman, Secretary of Agriculture
- 9:45 INTERMISSION

COMMODITY SESSIONS

- 9:50 Feed, Livestock and Meat  
Thomas Jefferson Memorial Auditorium  
Buel F. Lanpher, FES, Chairman
- 9:50 - Malcolm Clough, ERS, Feed Outlook Statement
- 10:45 - INTERMISSION
- 11:00 - Anthony S. Rojko, ERS, Livestock and Meat Outlook Statement
- 12:30 - 2:00 LUNCH PERIOD

Wednesday Afternoon

- 2:00 - 3:30 Dairy  
Thomas Jefferson Memorial Auditorium  
Robert E. Jacobson, FES, Chairman  
Anthony G. Mathis and Robert H. Miller, ERS, Outlook Statement
- 3:50 - 5:15 Poultry  
Thomas Jefferson Memorial Auditorium  
Richard G. Ford, FES, Chairman  
Herman Bluestone, ERS, Outlook Statement
- 3:50 - 5:15 Tobacco  
Room 3056, South Building  
Claude G. Turner, ASCS, Chairman  
Arthur G. Conover, ERS, Outlook Statement
- 5:15 ADJOURNMENT

Thursday, November 21

COMMODITY SESSIONS (continued)

- 9:15 - 10:15 Forest Products  
Room 3840, South Building  
Paul O. Mohn, FES, Chairman  
Dwight Hair, FS, Outlook Statement
- 9:15 - 10:15 Fruits and Tree Nuts  
Room 3056, South Building  
Dana G. Dalrymple, FES, Chairman  
Ben H. Pubols, ERS, Outlook Statement
- 10:25 - 12:00 Wheat  
Thomas Jefferson Memorial Auditorium  
E. Dean Vaughan, FES, Chairman  
William R. Askew, ERS, Outlook Statement
- 12:00 - 1:30 LUNCH PERIOD
- 1:30 - 2:30 Vegetables and Potatoes  
Room 5219, South Building  
Dana G. Dalrymple, FES, Chairman  
Will M. Simmons and Donald S. Kuryloski, ERS, Outlook Statement



Thursday Afternoon

COMMODITY SESSIONS (continued)

- 1:30 - 2:30 Sugar  
Room 3840, South Building  
Tom O. Murphy, ASCS, Chairman
- 1:30 - 3:40 Fats, Oils, and Peanuts  
Thomas Jefferson Memorial Auditorium  
Glen J. Vollmar, FES, Chairman  
George W. Kromer, ERS, Outlook Statement
- 3:45 - 5:15 Cotton  
Thomas Jefferson Memorial Auditorium  
Edgemond P. Callahan, FES, Chairman  
James R. Donald, ERS, Outlook Statement
- 5:15 ADJOURNMENT

Wednesday, November 20

GENERAL SESSION

THOMAS JEFFERSON MEMORIAL AUDITORIUM  
Agriculture South Building

Nathan M. Koffsky, Administrator,  
Economic Research Service, USDA, Chairman

- 9:15 World Markets for American Agriculture  
Address by Orville L. Freeman, Secretary of Agriculture
- 9:45 INTERMISSION

FAMILY LIVING SESSIONS

FREER GALLERY OF ART AUDITORIUM

OUTLOOK FOR CONSUMER GOODS AND SERVICES  
Margaret Browne, Director, Division of Home Economics,  
FES, USDA, Chairman

FOOD

- 10:00 Supplies and Prices  
Stephen J. Hiemstra, Economic and Statistical Analysis Division, ERS, USDA

Wednesday, November 20

FREER GALLERY OF ART AUDITORIUM

FAMILY LIVING SESSIONS (continued)

- 11:00      Marketing and New Products  
Philip B. Dwoskin, Marketing Economics Division, ERS, USDA
- 11:30      Your Money's Worth in Foods  
Betty B. Peterkin, Consumer and Food Economics Research  
Division, ARS, USDA
- 12:00 - 1:30    LUNCH PERIOD

Wednesday Afternoon

THE AGING

James L. Sundquist, Deputy Under Secretary, USDA, Chairman

- 1:30      Population Trends  
Gladys K. Bowles, Economic and Statistical Analysis Division, ERS, USDA
- 2:15      The Economic Situation  
Lenore Epstein, Social Security Administration, HEW
- 2:45      The Dietary Situation  
Sadye F. Adelson, Consumer and Food Economics Research  
Division, ARS, USDA
- 3:15      INTERMISSION
- 3:30      Report from the President's Council on Aging  
Warren Roudebush, Staff Director, President's Council on Aging, HEW
- 4:15      An Action Program for the Rural Aged  
Don Hayworth, Office of Rural Areas Development, USDA
- 5:15      ADJOURNMENT

Thursday, November 21

FAMILY LIVING SESSIONS (continued)

FREER GALLERY OF ART AUDITORIUM

OUTLOOK FOR CONSUMER GOODS AND SERVICES (continued)

Helen Turner, Assistant Director, Division of Home Economics,  
FES, USDA, Chairman

- 9:30            Clothing  
                Virginia Britton, Consumer and Food Economics Research  
                Division, ARS, USDA
- 10:15            Transportation  
                Lucile F. Mork, Consumer and Food Economics Research  
                Division, ARS, USDA
- 11:00            INTERMISSION
- 11:15            Medical Care  
                Jean L. Pennock, Consumer and Food Economics Research  
                Division, ARS, USDA
- 12:00 - 1:30    LUNCH PERIOD

Thursday Afternoon

HOUSING

Irene H. Wolgamot, Assistant to the Director, Consumer and Food  
Economics Research Division, ARS, USDA, Chairman

- 1:30            Present Day Housing of U. S. Families  
                Emma G. Holmes, Consumer and Food Economics Research  
                Division, ARS, USDA
- 2:00            Supplies and Prices  
                Mary Jane Ellis, Consumer and Food Economics Research  
                Division, ARS, USDA
- 2:30            INTERMISSION

Thursday Afternoon

FAMILY LIVING SESSIONS (continued)

FREER GALLERY OF ART AUDITORIUM

OUTLOOK FOR CONSUMER GOODS AND SERVICES (continued)

2:45

PANEL DISCUSSION -- Community Aspects of Housing

Flora Hatcher, Assistant to the Administrator for Consumer and Community Group Relations, HHFA

Louis D. Malotky, Director, Rural Housing Loan Division, FHA, USDA

Henry A. Palm, Director, Soil and Water Loan Division, FHA, USDA

Robert G. Yeck, Agricultural Engineering Research Division, ARS, USDA

Evelyn Seversen, Extension Housing Specialist, Home Development, Arkansas

5:00

ADJOURNMENT

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Miss Elizabeth Bryan

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None

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Dr. Clarence Edmond

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Mrs. Crystol C. Tenborg

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None

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Mrs. Wanda Meyer  
Mr. D. H. Seastrunk

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November 18 - 21, 1963

60980

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Foy Helms	Harrington	Frances Stallard	Harrington
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Clarence Edmond	Harrington	W. D. Curtis	Harrington
		Verna D. Guillory	Harrington
<u>ARKANSAS</u>		<u>MAINE</u>	
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Crystol Tenborg	Harrington	Mary V. Holt	Harrington
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G. Alvin Carpenter	Harrington	Ray A. Muray	Home Address
		Judith A. Pheil	Home Address
<u>CONNECTICUT</u>		Leslie F. Stico	Home Address
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		Barbara Higgins	Harrington
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Eloise Johnson		Lucile Ketchum	Washington
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Paul C. Bunce	Harrington	Harold C. Pederson	Harrington
Lora Laine	Harrington	Mary Ryan	Willard
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Jack Ishida	Harrington		
Shiru Takci	4330 Hartwick		
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<u>IDAHO</u>			
Hilda Frederick	Harrington	Sarah Fountain	Harrington
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Glenda Pifer	Willard	David N. Harrington	Harrington
L. H. Simerl	Willard	C. E. Klingner	Harrington
		K. E. Miller	Harrington
		Edward Wiggins	Harrington
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R. H. Bauman	Harrington	John C. Bower	Harrington
J. Carroll Bottum	Harrington		
Elkin M. Minter	Harrington		
<u>IOWA</u>		<u>NEBRASKA</u>	
Leo Kolmer	Harrington	Everett Peterson	
Marcena VerPloeg		Clara N. Leopold	
<u>KANSAS</u>		<u>NEVADA</u>	
Quentin Banks	Harrington	William V. Neely	
Margaret Koenig			

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Washington

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Harrington

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VISITING DELEGATES TO NATIONAL OUTLOOK CONFERENCE  
November 18-21, 1963

(Embassies, Business Firms, Banks, etc.)

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Joshua Bernhardt	Puerto Rico
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C. S. Elliot	Australian
A. F. Knudsen	Danish
Poedji Koentarlo	Indonesian
C. C. Lawrence	British
Stephen McDonogh	Irish
G. A. Onyegbula	Nigerian
Leslie Osborne	British
R. Radulovic	Yugoslav
G. Racutanu	Rumanian Legation
Wilhelm Schoel	German
I. P. Singh	Indian
Mihailo Stevovic	Yugoslav

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Clifton B. Luttrell	St. Louis
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J. Z. Rowe	Dallas
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 U. S. Dept. of Commerce  
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 U. S. Dept of Interior  
 U. S. House Approp. Committee  
 U. S. Dept of Commerce  
 U. S. Federal Reserve Board  
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Tennessee Valley Authority  
 Successful Farming Magazine  
 Consultant - Ithaca, New York  
 Doane Agricultural Service  
 Canada Dept of Agriculture  
 Mutual of New York  
 Tuskegee Institute  
 Canada Dept of Agriculture

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Central Bank for Cooperatives

National Federation of Grain Coop.

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Prairie Farmer

Roanoke College

Bank of America

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Nat. Assoc. Margarine Manuf.

First National City Bank

National Cotton Council

Scientific Liaison - Dupont Circ. Bldg.

National Cotton Council



(\*)

UNITED STATES DEPARTMENT OF AGRICULTURE  
Office of the Secretary

TURBULENCE IN THE CRYSTAL BALL

Talk by Charles S. Murphy, Under Secretary of Agriculture  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 9:40 A.M., Monday, November 18, 1963

The reason my comments are titled as they are on the program is as follows: I was asked to talk on "the role of outlook information in the development and administration of commodity programs of the Department of Agriculture." So, I began to think about that subject. I began to think about the outlook as we have seen it in the past few weeks and what might be ahead for our commodity programs.

The more I thought about it, the more it looked as though we were going to have a lively time. Maybe we were going to sell a lot of wheat to Russia and maybe we were not. Maybe we are going to have some new cotton legislation and maybe we are not. A widespread drought might cut into production seriously, and then it might not. We're having a 516 pound per acre yield of cotton this year -- 10 percent more than ever before. Is it really because a hard freeze killed the boll weevils last winter, or is there some other reason for it? Hurricane Flora hovered over Cuba, and the price of sugar started going through the roof. The pecan crop this year is four times as large as last year's crop. The Dutch have been buying butter from CCC. The law says we are to have support prices for wheat next year at 50 percent of parity -- which is about \$1.25 a bushel. Maybe we're going to have only a 10 million bushel carryover of soybeans. Then, of course, there's always the box car shortage.

When I replied that my talk ought to be entitled "Turbulence in the Crystal Ball," I was only joking, but maybe it's not really funny. There do seem to be an unusually large number of uncertainties in the picture for the year ahead. I am very thankful indeed that we have outlook information to help us plan how to meet them.

In a way, I'm talking to you about how a lawyer gets along with the economists. You know these two professions have right much in common, and economics has a fascination for many lawyers. I have known lawyers who gave up the practice of law and took formal training in economics and became full time practicing economists. Some people would be unkind enough to say that in so doing they raised the average level of intelligence in both professions.

Seriously, the Department of Agriculture itself is the largest user of outlook information. We recognize the importance of the decisions we make in commodity programs. We know that these decisions substantially affect the lives and fortunes of millions of people -- on the farm and off the farm. And we believe thoroughly that it is our duty to make these decisions in the light of the best information it is possible for us to obtain. We believe the information we obtain from the economists and statisticians of the Department of Agriculture is the best in the world. And it's getting better all the time. They cannot always foretell the future, of course, but they are right so many times it's uncanny.

One of our cardinal objectives is to preserve the integrity and objectivity of the process of gathering and analyzing outlook information. I never undertook to tamper with it but one time -- and I must tell you about that. My personal physician here in Washington owns a tobacco farm down on the Chesapeake Bay. Being a doctor, he can afford it. A couple of years ago I received a letter from him complaining about all the crop reporting questionnaires the Government was asking him to fill out about his farm. I referred the letter to SRS, and they prepared a lengthy reply explaining the importance of being a farm reporter and suggesting that he should be flattered at having been chosen to be one -- and that he should keep on filling out the forms and sending them in.

Well, I knew my doctor and I knew he wasn't going to like that. So, instead of signing the letter, I wrote a note on the bottom of it saying it was an official reply that had been prepared for my signature, but that my personal advice to him was when he received the questionnaires, to throw them in the waste basket. Then I sent it on to the doctor. Harry Trelogan has never forgiven me for this, but after all the man was my doctor and I'm at his mercy.

The use of outlook information in commodity programs is not a simple and easy thing. The administrative officials in this Department have a workload which in terms of volume is incredible. They don't have enough time for study and reflection. On the other hand, I believe we would all agree that only the administrative officials can properly make the vital program decisions. If the economists get too deeply involved in this, they might even lose their objectivity. What we have sought is to develop a system through which regular and intelligent use is made of economic information and analysis in the decision making operations of the Department. Frankly, I'm quite proud of the extent to which we have been able to do this. We still have room left for improvement, of course, and we are still working at it.

As you all know, economic policy is critical in the operation of this Department. Fortunately, we have an extremely able group of economists in the Department. Our problem has been how to use them most effectively. If you scatter them out among the operating agencies, they tend to lose touch with each other, their work suffers, and soon you may have instead of a cohesive economic policy a number of separate



and inconsistent economic policies -- none of which are very responsive to the policies of the Secretary. On the other hand, if you group all the economists together, there is a tendency for them to lose touch with the operating agencies; and while you might have the finest body of economic policy in the world, it might have very little influence on the actual course of events.

We have, naturally, undertaken to have the best of both worlds. We have a relatively small number of economists attached directly to the operating agencies. Then we have the other economists and statisticians grouped in strong, separate agencies -- ERS and SRS. To help deal with the problem of communications, both lateral and vertical, the Director of Agricultural Economics set up the Staff Economists Group. You might say that these able gentlemen interpret us to the research economists and vice-versa. Also, they insulate the research agencies to some extent from our blandishments.

Additionally, we have a number of standing staff committees and ad hoc task forces where men from the research agencies and from the appropriate operating agencies work together on estimates, projections, the interpretation of data, and the like. Then we have a clearance system under which recommendations from the operating agencies are checked with the office of the Director of Agricultural Economics. He does not have a veto power but he does have the right and obligation to raise questions -- which he frequently does -- and to make recommendations. This system seems to be working well. The operating agencies have been a little restive about it at times. Like some of the rest of us, when they have reached a conclusion, they are reluctant to run the risk of having it upset by the facts. However, they have found that when a paper gets to my desk that should have Dr. Cochrane's initials on it but doesn't, I'm going to send it to him anyway, so they usually take it there first. Verily, we are all one big happy family.

For the big issues, we don't rely on the routine use of the clearance machinery. We have full dress discussions, sometimes very lengthy, usually very lively, in which we do our best to look at all the angles. For the purpose of these discussions, we have developed techniques which I believe to be helpful. First, I should say perhaps that many of the major economic decisions come before the Board of Directors of CCC in the regular course of its business. This is the case in fixing price support levels, for example. Here the law specifies the economic factors to be taken into account in fixing the support price. However, in the case of most commodities, it doesn't say how these factors are to be taken into account, which as you can well see leaves a certain amount of administrative discretion. These issues with the supporting data and economic analysis are brought before the CCC Board in dockets prepared primarily by the operating agencies administering the respective programs involved, but with the assistance of the research and staff economists. The Board, as you know, makes recommendations to the Secretary which he sometimes accepts and sometimes does not.

Other kinds of questions, typically recommendations as to legislation, do not come before the CCC Board as such -- although they are considered by much the same groups of Department personnel. Here we have a staff paper developed by a team from the research and operating agencies. We have found it very useful to have comparative estimates of the results that would be obtained under various alternatives -- as, for example, under existing law compared with each of several new legislative proposals. We ask that these estimates show particularly three things -- effect on farm income, effect on Government costs, and effect on surplus stocks or carryover. Using the same basic assumptions for each alternative program, we believe that in this manner we get a valid basis for comparing their merits. While the nature of the business is such there must be a considerable allowance for variance between estimates and actual results, our people have been able to give us estimates that have been surprisingly close to what actually happened. In any event, the principal variants affect each of the alternatives in much the same way and, therefore, do not impair the validity of the comparisons.

It is surprising how many arguments we have been able to stop by using this system. A fellow finds it pretty hard to defend a program that is going to cost the Government more and return the farmer less. Our progress in developing this system has been somewhat uneven for the various commodities; but now we have it pretty well refined for the commodities that are principally in the Congressional eye -- cotton, feed grains, wheat, and milk.

These estimates and the stated assumptions on which they are based are subjected to discussions with policy officials wherein various other relevant ingredients are added -- such as Federal budget outlooks, legislative outlooks, and sundry other sociological aspects. These are matters which must be considered, but for which we cannot and should not hold our research agencies responsible. These discussions are very frank, quite stimulating, and it is my impression that the participants enjoy them. I know I do.

Finally, having gone through all these procedures, the time comes when we can't put off the decisions any longer and we go ahead and make them as best we can.

Let me close by saying I am very glad to have had this opportunity to discuss our operations with you.

Now, as I return to the crystal ball, I see outlook saying we might well use some more soybeans next year. So that naturally raises a question as to whether the support price should be changed. Then, I see outlook saying the cotton carryover is going up  $1\frac{1}{2}$  million bales this year -- although the acreage allotment is already at the statutory minimum. This also raises an inescapable question about the support price. Next, I see outlook saying the carryover of flue-cured tobacco



is going up sharply for the second year in a row. Here the support price is fixed precisely by a statutory formula, and the only place a meaningful adjustment can be made is in the acreage allotment. The law requires this acreage allotment to be fixed by the first of December, which is less than two weeks away. Some of the stormy weather in the crystal ball is right close at hand.

I hope you will wish for us a safe journey.







# THE AGRICULTURAL OUTLOOK FOR 1964

by

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assisted by

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“Well in our country,” said Alice still panting a little, “you’d generally get to somewhere else--if you ran very fast for a long time, as we’ve been doing.”

“A slow sort of a country!” said the Queen. “Now, here, you see, it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!”

As far as I know Lewis Carroll had no connection with anything even remotely resembling an Outlook Conference. Nevertheless, this bit of dialogue between Alice and the Red Queen from Through the Looking Glass strikes me as a fitting introduction to the Agricultural Outlook for 1964.

Despite the prospects for continued expansion in general economic activity and record-high value of exports of U. S. farm products, farm income is likely to be lower in 1964. The key to this paradoxical situation is wheat. With marketing quotas not in effect for the first time since 1953 both cash receipts and Government payments for wheat will be sharply lower in 1964. This, in combination with the expected increase in farm production expenses which seem to be as inevitable as death and taxes, points to a decline in realized net farm income. However the per capita personal income of the farm population from all sources may be about as high as the record high this year.

The outlook for total farm income is highly dependent on wheat and the crystal ball is very cloudy as far as this commodity is concerned. The thickest cloud is the question of the kind of program that will be in effect for the 1964 wheat crop. This statement assumes that there will be no marketing quotas and that the price support will be at 50 percent of parity for those producers who comply with their allotments. If some other program involving higher levels of price support and/or payment is in effect for wheat, the outlook will be improved. Two other factors now unclear are the size of the 1964 wheat crop and the extent to which the proposed sale of wheat to the Soviet Bloc is consummated.

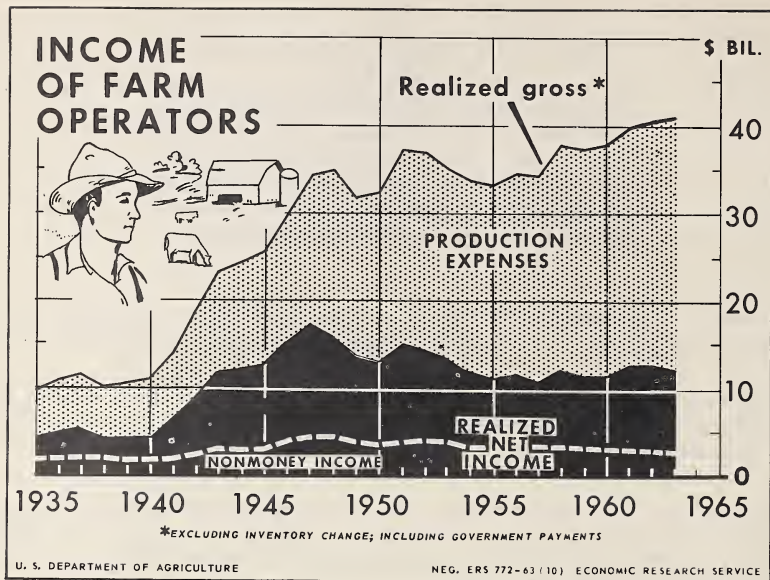


Figure 1

In addition to the usual assumption of average growing conditions, this statement assumes no change in present farm programs for wheat, cotton and dairy products, and successful completion of the negotiations for sales of wheat and other commodities to the Soviet Bloc.

This year realized gross farm income is running at a slightly higher rate than the \$40.8 billion of 1962. However, farm production expenses are expected to total \$28.8 billion--\$600 million higher than in 1962. As a result, realized net farm income is likely to be around 3 percent below the \$12.6 billion in 1962.

Cash receipts for 1964 may be down only a little from this year. The sharp drop in cash receipts from wheat will be partly offset by increases in receipts from other crops, but total cash receipts from crops may be down slightly. Cash receipts from livestock will be a little higher than this year with small increases for all 3 of the major commodity groups--meat animals, poultry and eggs, and dairy products.

Government payments are also likely to be lower in 1964 mainly because the elimination of payments for wheat will more than offset increased payments under the Feed Grain Program.

In 1964 realized gross income will fall short of this year's figure. Farm production expenses are expected to increase by at least as much as they did this year and possibly more. As a result, realized net farm income is likely to be lower than in 1963, perhaps by 5 percent or more.

Both the number of farms and farm population will continue the declines that have been underway for many years. In 1963 the percentage decline in the number of farms is about the same as the decline in aggregate realized net income. On the basis of these preliminary indications, realized net income per farm in 1963 will be about the same as the record high \$3,414 in 1962. Some decline is forecast for 1964.

Per capita personal income of the farm population from all sources in 1963 may be around 3 percent higher than the previous record high of \$1,436 in 1962--largely because of the sharp decline in farm population. In 1964, the per capita personal income of people living on farms from all sources is likely to be about as high as in 1963.

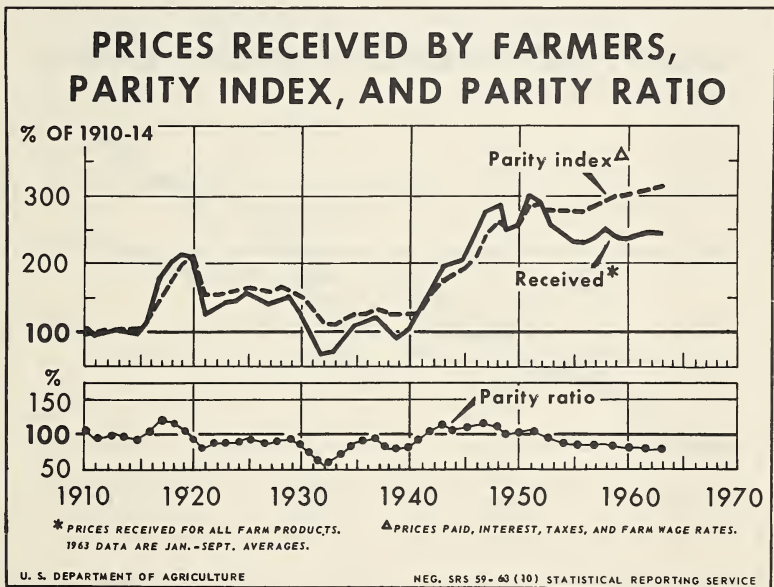


Figure 2

The index of prices received by farmers will average a shade lower this year than the index of 243 in 1962. The parity index is averaging around 311, nearly 2 percent higher than last year. With prices received down a little and prices paid up, the parity ratio for the year will average a little below the 79 in 1962. However, because of the increased importance of Government payments in recent years, the parity ratio has become a less significant measure of the farmers' economic situation than was formerly true. In 1962, Government payments were equivalent to nearly 5 percent of cash receipts from marketings. If the parity ratio were adjusted to take account of this, the resulting ratio would be 83 rather than the actual figure of 79.

The price situation for 1964 looks like more of the same--that is, the index of prices received down a little and the parity index a little higher than this year.

### FARM OUTPUT

Farm output this year will be about 10 percent above the 1957-59 average, establishing a new record high for the sixth consecutive year. Production of livestock and products continues to increase with increases in meat animals and poultry and eggs more

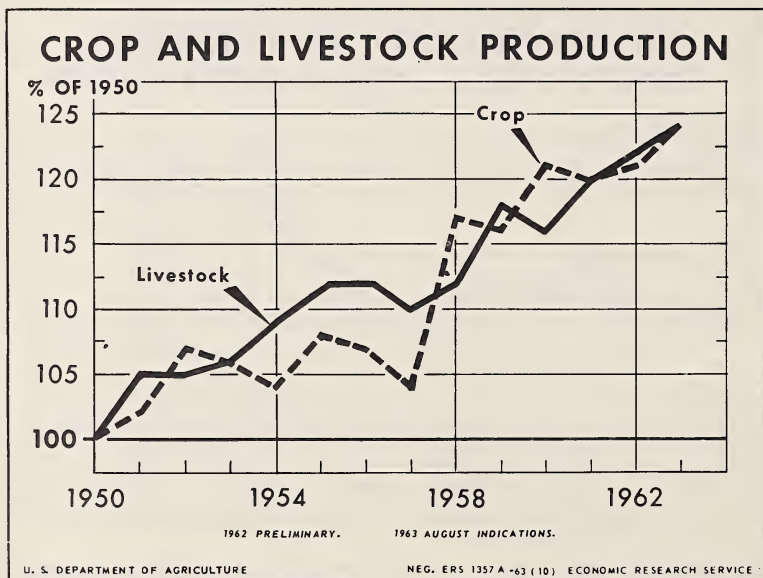


Figure 3



than offsetting a slight decline in milk production. Crop output is also record high this year, slightly higher than last year and 1960. Compared with 1960, cropland used for crops is down 5 percent but crop production per acre is equal to the record high established last year. Corn, rice, cotton, peanuts, and dry beans all established new record-high yields this year. Since 1960, the rise in crop output has been limited by acreage reductions under the feed grain and wheat programs.

In 1964, with average growing conditions and normal advances in technology, farm output would remain high and could easily set another record. Production of livestock and products is likely to show a further increase mainly as a result of increases in cattle and poultry. Higher production of wheat, soybeans, and sugarbeets should maintain crop production.

### DOMESTIC DEMAND

Domestic demand will continue to expand in 1964. Consumer incomes after taxes are expected to rise at least as much as the gain of nearly 5 percent this year. This is indicated by prospects for increased national output and employment and possible lower

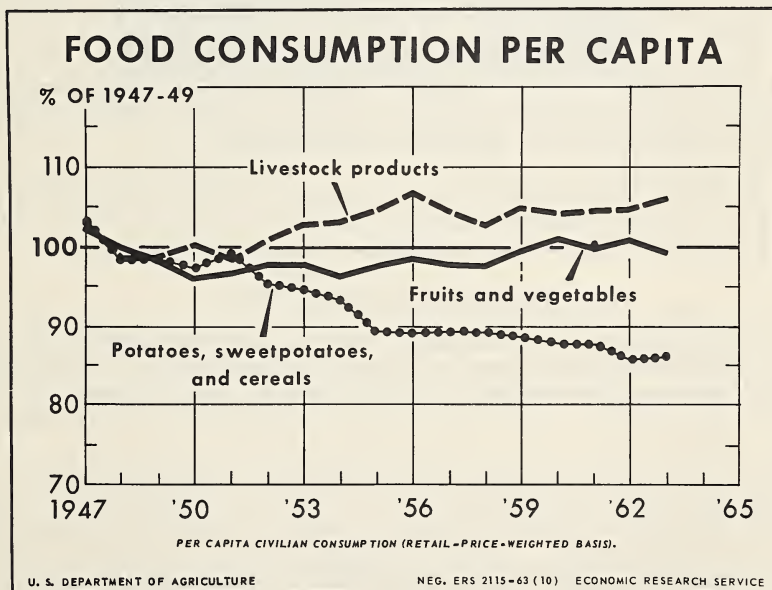


Figure 4

personal tax rates in 1964. Consumer expenditures for food in 1963 are running about 3 percent higher than 1962 and a further increase is indicated for 1964. A larger population, higher income and consumption per capita, and a continued moderate rise in retail food prices will contribute to the increase. Per capita outlays for farm products in 1964 are likely to rise at least as much as in 1963. Per capita consumption of farm products is expected to hold at the increased 1963 rate with some gains indicated for beef and poultry.

### GOVERNMENT FOOD DISTRIBUTION ACTIVITIES

Commercial demand for food is supplemented by Government programs designed to encourage the greatest possible use of our food abundance. Nearly 35 million people are now benefiting from these programs. They include the School Lunch, Special Milk, Direct Distribution and Pilot Food Stamp Programs. Relative to total food distribution, these programs are still small. In 1963 they distributed less than 2 percent of total food consumption.

Both the School Lunch and the Special Milk Programs have grown at rates exceeding the growth in the general population during the past year. A special effort is underway to make the School Lunch Program more widely available to children in economically needy areas.

The Pilot Food Stamp Program initiated in mid-1961 is now reaching 350,000 people in 43 areas in 22 States. Legislation is now pending in the Congress to authorize a continuing food stamp plan on a gradually expanding basis.

Participation in the Commodity Donation Program for needy families has declined slightly as a result of improved economic conditions. Despite the decline, 1.2 billion pounds of food were distributed to needy families during the past fiscal year.

### EXPORTS OF FARM PRODUCTS

Developments here and abroad point to a new record for U. S. agricultural exports in the fiscal year 1964. Given the best efforts of both Government and the trade, and assuming the successful negotiation of the sale of a large quantity of wheat to meet the needs of the Soviet Bloc, a total value of exports of around \$6.0 billion seems likely. In fiscal 1962-63 the value of U. S. exports of farm products was \$5.1 billion, about the same as a year earlier. All major export commodities are expected to share in the increase, with the largest gain for wheat, cotton, soybeans, and vegetable oils. Foreign demand for U. S. farm products is supported by continued strength in economic activity abroad and all-time highs in gold and dollar holdings in most countries that buy U. S. farm products for dollars. Reduced production of some grain crops and products, especially in the Soviet Bloc, and a smaller grain harvest of lower quality in Western

Europe also point to increased exports. Sales of U. S. farm products for foreign currencies, export payments to enable sales of U. S. farm products at competitive world prices, and U. S. export market promotion activities continue to strengthen the export market.

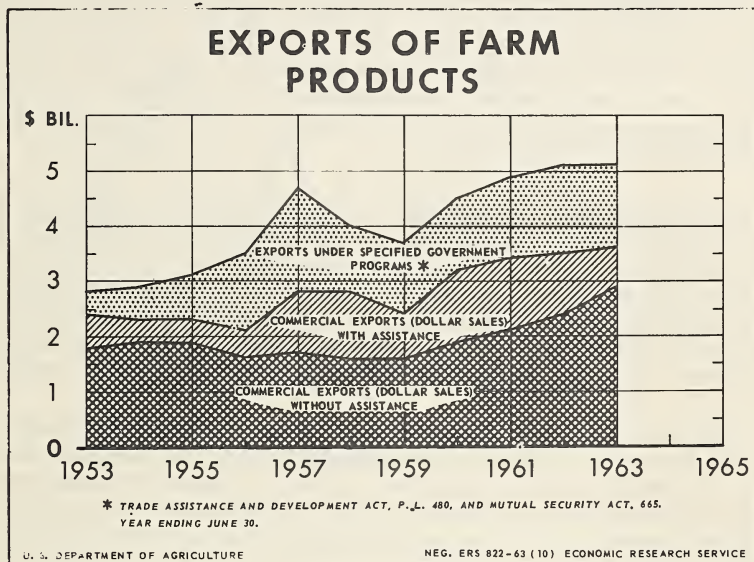


Figure 5

Most of the gain in exports in fiscal 1964 will be in dollar sales. Total commercial sales for dollars may advance to around \$4.2 billion compared to \$3.6 billion in fiscal 1963. Dollar sales will account for around 70 percent of total value of exports of farm products. Exports under Government-financed programs are estimated at \$1.8 billion, 20 percent higher than in fiscal year 1963.

If large sales are made to the Soviet Bloc, U. S. exports of wheat, including flour, may reach the undreamed of level of a billion bushels. This assumes that specified classes and grades will be available in sufficient amounts and that shipping facilities will be adequate to handle the record-breaking quantity. This volume would be considerably above last year's total of 639 million bushels and the previous record of 720 million bushels in 1961-62. Adverse weather reduced both the quality and the size of the wheat

harvest in Western Europe with most of the reduction occurring in France, Italy, and the United Kingdom. The decline in grain production in the Soviet Union has been so well publicized in the press that any further comment would be superfluous.

Cotton exports are expected to total about 5 million bales in the fiscal year 1963-64. This would be well above last year's relatively low level of 3.6 million bales. The reasons for the expected increase are an upturn in mill consumption in the major importing countries, a decline in foreign production resulting mainly from yields below last year's high averages, reduced inventories in both importing and other exporting countries, and the CCC export sales program to enable cotton to be competitive in price with similar foreign cotton.

Exports of oilseeds and products will continue to advance to new records in fiscal 1964. Exports of soybeans will increase only moderately from last year's record due to a limited supply of U. S. beans available for export. Exports of protein meal are likely to advance to a new record with a continuing strong demand in Western Europe. Edible vegetable oil exports are expected to exceed last year's 1.7 billion pounds. Both commercial sales for dollars and shipments under Government-financed programs are likely to increase. Production outside this country continues to run below foreign needs.

Exports of dairy products are expected to increase in fiscal 1964 with most of the gain coming from larger donations. Tobacco exports are likely to be moderately higher. Exports of animal products will probably continue fairly large. Feed grain exports are expected to be near last year's record of over 15 million metric tons. The export outlook for rice and fruits and vegetables is less favorable than for fiscal 1963.

#### STOCKS OF FARM PRODUCTS

If wheat exports reach a billion bushels, total wheat carryover on July 1, 1964, would be nearly a half a billion bushels below the 1.2 billion bushels on hand July 1, 1963. This would be only about half the record carryover of 1.4 billion bushels on July 1, 1961, but would still be somewhat larger than the carryover required as a reserve against a poor crop year and for defense purposes.

Feed grain carryover on October 1, 1964, is expected to be around 59 million tons. This would be a reduction of 3-4 million tons compared to over 9 million tons the previous year.

The carryover of all kinds of cotton on August 1, 1964, is expected to total 12.4 million bales. This compares with 11.2 million bales on August 1, 1963, and would be the largest since the record-high carryover of 14 1/2 million bales on August 1, 1956.



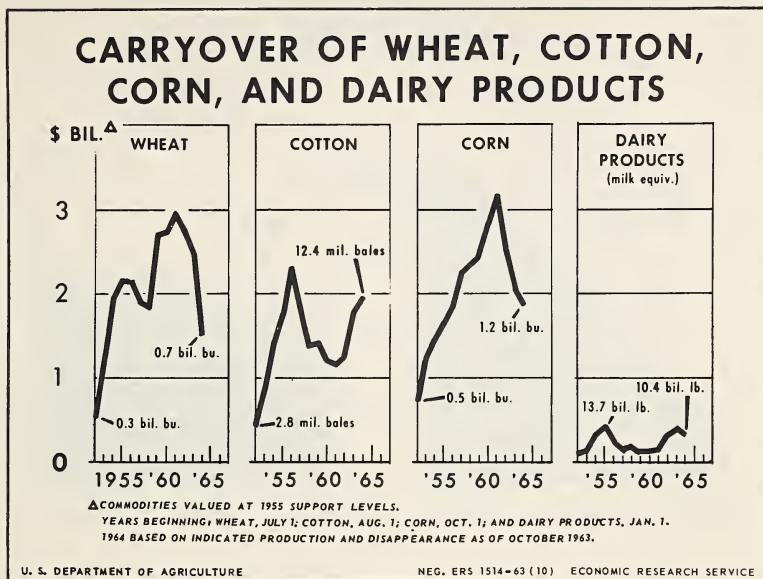


Figure 6

### FARM FINANCIAL OUTLOOK

As in 1962 and 1963, the outlook is for the value of farm assets to continue to increase chiefly because of the continued rise in farm land values. By January 1, 1964, the value of farm assets is expected to reach \$226 billion, up nearly \$10 billion from a year earlier.

Farm demands for credit are strong as a result of farm consolidations, rising land values, upgrading of machinery, increased numbers of livestock, and the use of more fertilizers, pesticides, and other purchased inputs by farmers. With land values continuing to increase, lenders have been willing to make increased amounts of farm loans.

Farm debt, including CCC price support loans, increased substantially in 1962 and a further substantial increase of \$2.8 billion is occurring this year. As in 1962, both farm mortgage debt and non-real-estate debt are showing strong increases. Total farm debt is expected to reach about \$32.8 billion by the end of this year, but the increase of \$2.8 billion is less than the increase in farm asset values. Thus, the equities of farmers and other owners of farm property are also continuing to increase.

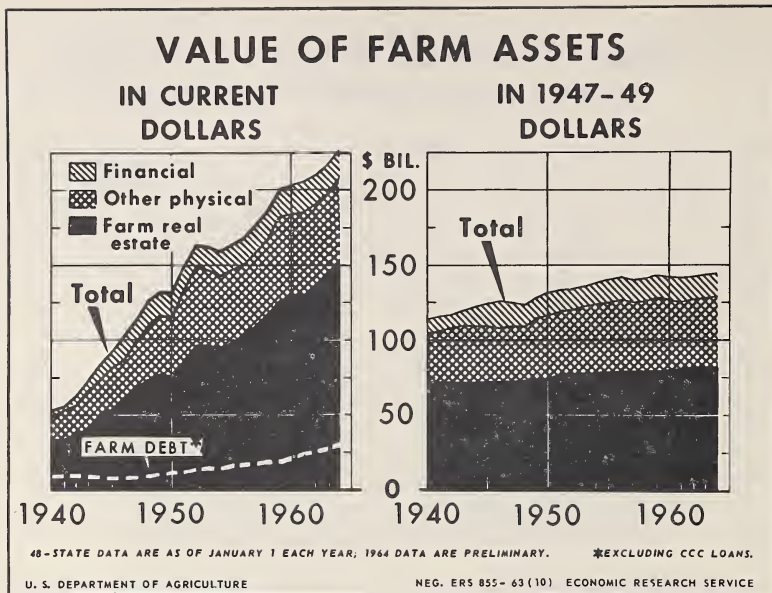


Figure 7

On a percentage basis, however, farm debts have risen slightly more rapidly than the value of farm assets over the past two years, and the ratio of total debt to the value of farm assets has increased from about 13 percent on January 1, 1962, to an estimated 14.5 percent on January 1, 1964.

Market prices for land increased 6 percent in the year ended July 1, 1963, and reached record highs in nearly all States. Annual increases in the central Corn Belt have been substantially less than in most other regions of the country. Continued strong demand for land for farm enlargement and a limited supply of land on the market have been the major factors pushing land prices upward in recent years.

### FARM COSTS

Farm production expenses were running at a seasonally adjusted annual rate of \$28.7 billion for the first three quarters of 1963. This is an increase of \$600 million over the same period of 1962. Most of the increase is due to a rise of about 2 percent in prices paid by farmers for production goods, interest, taxes, and farm wage rates. In 1964, farm production expenses are expected to increase by at least as much as this year and possibly more. This will result mainly from larger outlays for purchased feed, taxes, depreciation, and interest on both long- and short-term debt.

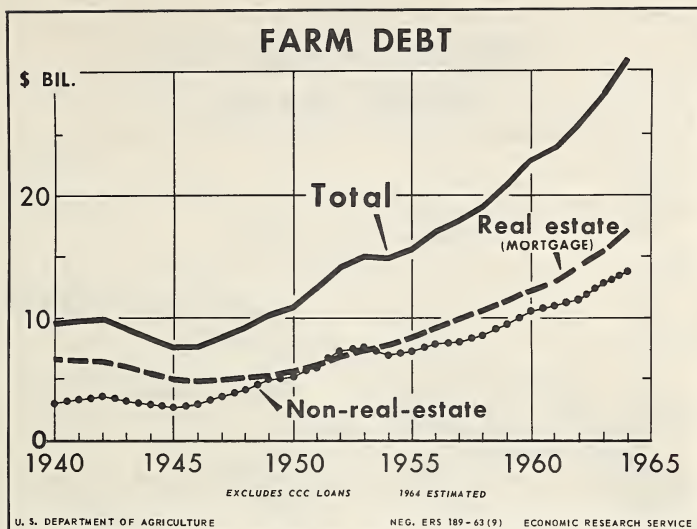


Figure 8

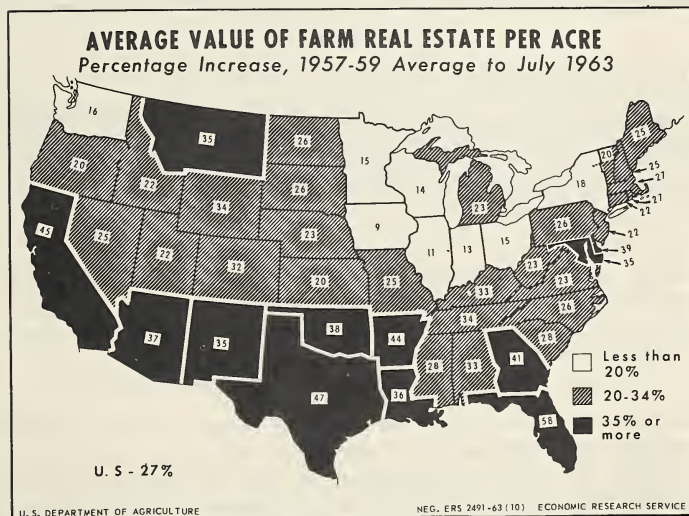


Figure 9



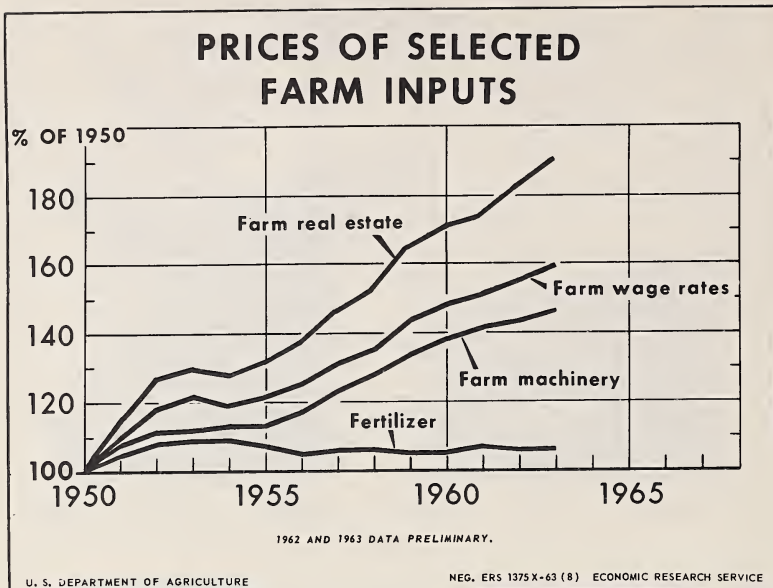


Figure 10

Farm production expenses have risen an average of nearly three-quarters of a billion dollars a year since 1953. In 1962, they took nearly 70 percent of realized gross farm income, compared to about 60 percent in 1953. Since 1947-49 production expenses have increased by 57 percent. Higher prices for production items accounted for around half of the increase and a larger volume of purchased inputs accounted for the other half.

Excepting seed and hired labor which remained about the same, expenditures for most major groups of production items increased from 1947-49 to 1962. But there were several important changes in the composition of expenditures over the period. These changes are illustrated in the table on the following page.

Expenditures for hired labor have declined relative to other purchased items. The marked drop in employment has more than offset a rise of over 50 percent in wage rates over the period. Expenditures for feed and fertilizer have remained as fairly constant percentages of total expenses despite substantial increases in the quantity of feed purchased and total plant nutrients consumed. Expenditures for purchased livestock rose from 8 to 11 percent of total expenses mainly due to larger

Class of expense	Percent of total in 1947-49	Percent of total in 1962
Feed purchased	20	19
Seed purchased	3	2
Livestock purchased	8	11
Fertilizer and lime	5	6
Hired labor	16	11
Depreciation and consumption of capital items	12	15
Repair and operation of capital items	15	14
Taxes	4	6
Interest on mortgage debt	1	3
Other	16	13
Total	100	100

numbers purchased. Taxes show a marked relative increase, reflecting the sharp increase in farm real estate values as well as the increase in tax rates. The increase for interest is accounted for by a higher rate on a much larger volume of farm debt.

The total volume of purchased inputs in 1962 was 24 percent greater than in 1947-49. The volume of nonpurchased inputs dropped 28 percent. These trends will continue as farms become larger and more mechanized.

#### FAMILY LIVING

For several years the per capita disposable income of the farm population has trended upward at a faster rate than prices thereby permitting continued improvement in the level of living of farm families. Shifts in spending patterns of farm families in 1964 in response to price changes, changes in the age-composition of families, and the general climate of the times will be in the direction of giving greater importance to automobile purchase and operation, medical care, and education, and a smaller share of total expenditures to clothing, furniture and equipment, and possibly food.

The level of installment debt has been rising and there are indications that increasing numbers of farm families are using this method of financing their purchases of durable goods and automobiles. A big automobile year in 1964 can be expected to step up this tendency.

The level of rural housing, although still lower than urban, caught up somewhat with urban between 1950 and 1960 and further improvements can be expected. FHA loans have risen sharply in recent years. The number of loans in fiscal 1963 was up 121 percent over fiscal 1961 and the value of loans was up 163 percent over the same period.

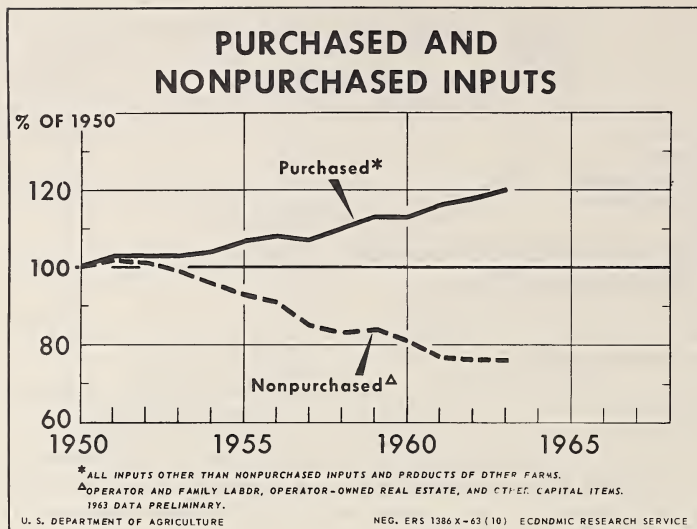


Figure 11

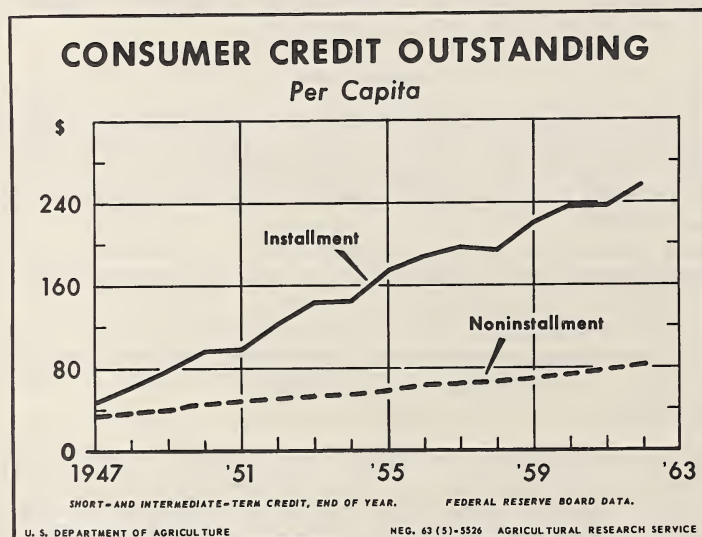


Figure 12

## MARKETING CHARGES FOR FARM FOOD PRODUCTS

The bill for marketing domestic farm-produced food products sold to civilian consumers is expected to reach \$45.7 billion this year, up 7 percent from 1962. This increase resulted from expansion in the volume of products handled and a rise in unit marketing charges. These same 2 culprits are likely to boost the marketing bill again next year, although the increase probably will not be as large as this year. The increase in unit marketing charges is expected to be smaller in 1964.

Unit marketing charges for beef, pork, and orange products rose sharply early in 1963. Farmers' prices for cattle and hogs dropped sharply in the first quarter but retail prices declined slowly causing the marketing spread to widen. Retail prices of frozen orange juice concentrate and canned orange juice went up faster than the farm prices of oranges following the December freeze in Florida. In the absence of special circumstances, the rise in unit marketing costs is not expected to be as large in 1964.

The farm food marketing bill has increased each year since 1950. Increases have resulted from (1) rising costs of labor, transportation, supplies, and other goods and services used by marketing firms, (2) growth in the volume of products marketed, and (3) increased marketing services, per unit of product and more meals in restaurants.

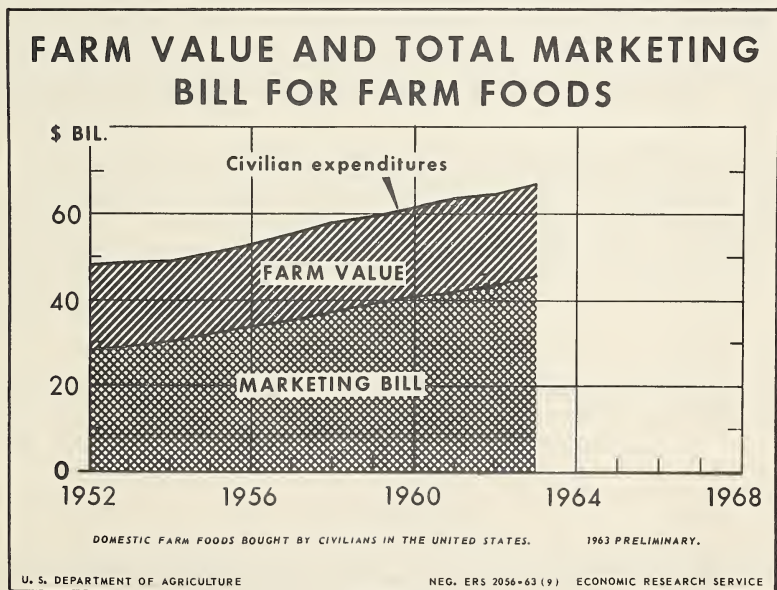


Figure 13



UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

NATIONAL ECONOMIC SITUATION AND OUTLOOK FOR 1964

Talk by Rex F. Daly  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 11:00 A.M., Monday, November 18, 1963

Economic activity has increased at a brisk pace so far in 1963. Demand expansion was rather broadly based with increases in consumer buying and a continued rise in outlays for fixed capital, construction activity, and Government purchases of goods and services. Rising incomes, strong markets for autos, and further increases in business capital outlays and Government purchases promise continued expansion in business activity in the months ahead.

The economy is buoyant and the outlook is favorable for 1964. But the course and vigor of economic activity in 1964 will depend to a considerable extent on the size and timing of the proposed tax cut. A reduction in tax rates such as that passed by the House of Representatives and now under consideration in the Senate, would add about \$6 billion to the flow of consumer disposable income in 1964. Such an addition to the after-tax income of consumers would step up consumer demand and, subsequently, investment demands of business as well. The outlook for 1964 also assumes a somewhat slower rise in Federal Government expenditures, no material change in the international situation, and increased exports of farm products to Communist-bloc countries.

The farmer is directly interested in the influence of general economic activity on consumer income and the strength of domestic markets. But he is also affected in several other ways: Farm production expenditures take more than two-thirds of gross farm income. Accordingly, price changes in the industrial sector influence the cost of production goods. Moreover, around a third of the farmers' income is from off-farm work and other non-farm sources. Such employment opportunities depend to a considerable extent on growth of the general economy.

Let us examine some of the background and expansion prospects for the major sources of demand in the context of the above assumptions. How will these changes affect output, employment, and the flow of income to consumers and businessmen? What will be the impact on domestic markets for farm products and on employment opportunities of farmers?

Consumer Markets

Rising consumer incomes supplemented by increased use of installment credit financed a substantial advance in consumer purchases of goods and services this year. Consumer incomes after taxes in the third quarter of 1963 were at an annual rate of \$404 billion, a gain of more than  $4\frac{1}{2}$  percent



Gross National Product, output, employment and  
prices, selected quarters 1962 and 1963

(Seasonally adjusted annual rates)

Item	Unit	1962	1963		Net change 3rd quarter 1963 from 1962
		3rd quarter	2nd quarter	3rd quarter	
Gross National Product	Bil. dol.	556.8	579.6	588.5	31.7
Personal consumption expenditures	"	356.7	370.4	374.3	17.6
Durable goods	"	47.7	51.0	50.5	2.8
Nondurable goods	"	162.5	165.9	168.5	6.0
Services	"	146.6	153.5	155.3	8.7
Fixed investment	"	75.3	76.5	79.4	4.1
New construction	"	46.0	45.8	47.7	1.7
Residential	"	24.2	24.8	25.8	1.6
Other	"	21.7	21.0	21.9	0.2
Producers' durable equipment	"	29.3	30.7	31.7	2.4
Business inventories	"	3.6	4.3	4.5	0.9
Net exports	"	4.1	4.8	4.3	0.2
Government purchases of goods and services	"	117.0	123.8	126.0	9.0
Federal (less sales)	"	62.4	66.5	66.6	4.2
State and local	"	54.6	57.3	59.4	4.8
Personal income	"	444.5	459.9	465.2	20.7
Disposable personal income	"	386.5	400.0	404.4	17.9
					<u>Percent</u>
	: 1957-59 =:				
Industrial production	: 100	119.5	124.3	126.6	5.9
Consumer goods	: "	121.2	124.2	126.6	4.5
Equipment, including defense	: "	123.3	122.1	126.1	2.3
Materials	: "	117.6	125.1	125.2	6.5
Employment, nonagricultural	: Millions:	62.9	63.7	64.1	1.9
Unemployment rate	: Percent:	5.6	5.8	5.6	0
Prices:	: 1957-59 =:				
Consumer price index	: 100	105.7	106.2	106.9	1.1
Wholesale price index	: "	100.7	100.0	100.4	-0.3
Industrial	: "	100.7	100.5	100.8	0.1



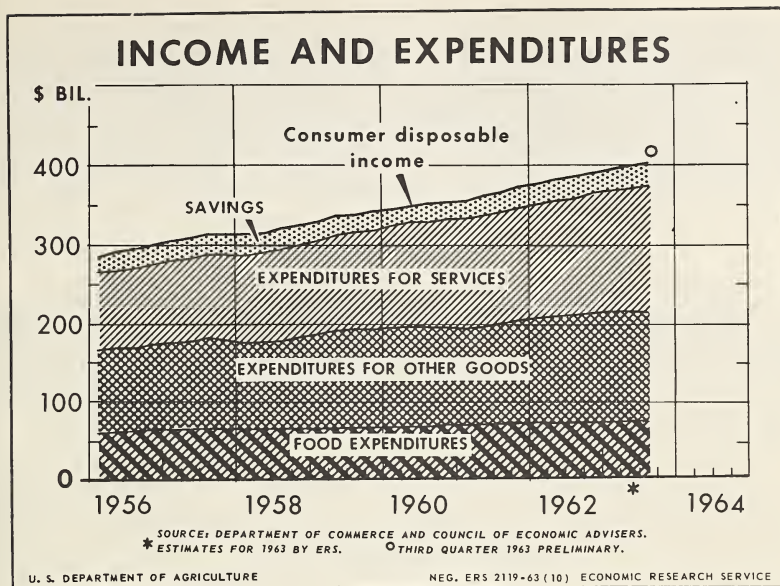


Figure 1

from a year earlier. Much of this advance was due to increases in payrolls as industrial production and employment increased in response to expanding purchases by consumers, businessmen, and the Government. The increase of nearly 5 percent in consumer spending was broadly based: Outlays for services increased 6 percent, nondurable goods nearly 4 percent, and durable goods 6 percent above third quarter 1962 rates. Automobile sales played a key role in increased sales of durable goods. The year 1963 has turned out to be the second good auto year in a row with record sales around a tenth above 1962. Sales of passenger cars this year apparently are exceeding  $7\frac{1}{2}$  million units, of which 350 to 400 thousand will be imports. With rising incomes, consumers also substantially increased their purchases of furniture and appliances, general merchandise, gasoline, food, and services such as rents and household operation, transportation, and personal care (figure 1).

The consumer sector of the economy accounts for about two-thirds of total sales of goods and services. Accordingly, the strength in this important sector plays a key role in the outlook. The flow of income to consumers is expected to continue to increase. And a reduction in tax rates early in 1964 would accelerate the rise in the after-tax income of consumers. Higher incomes would step up consumer purchases of goods and services. Such demand increases would not only lead directly to increases in output, but probably also to a step up in demand for fixed investment and business inventories. Accordingly, the increase in consumer disposable income and

in consumer buying could well exceed gains over the past year. Surveys of consumer buying plans indicate a continued high level of purchases of autos and other durable goods. October auto sales were at an annual rate around 8 million units. The auto industry also continues to schedule a very high rate of output. With rising incomes and a continued high level of home building, sales of household goods and appliances likely will rise further. Expenditures for food are expected to increase more than the 3 percent rise so far this year. And the uptrend in services will continue in 1964.

### Investment Demand

Gross investment outlays which include business fixed capital outlays, new construction, and inventories in total have risen strongly since the first quarter this year. Rising capital outlays and increases in construction activity have contributed to the continued expansion in business activity. Business investment, one of the more variable components of total demand, and Government expenditures have rather widespread multiplier effects on output, employment, income, and consumer buying (figure 2).

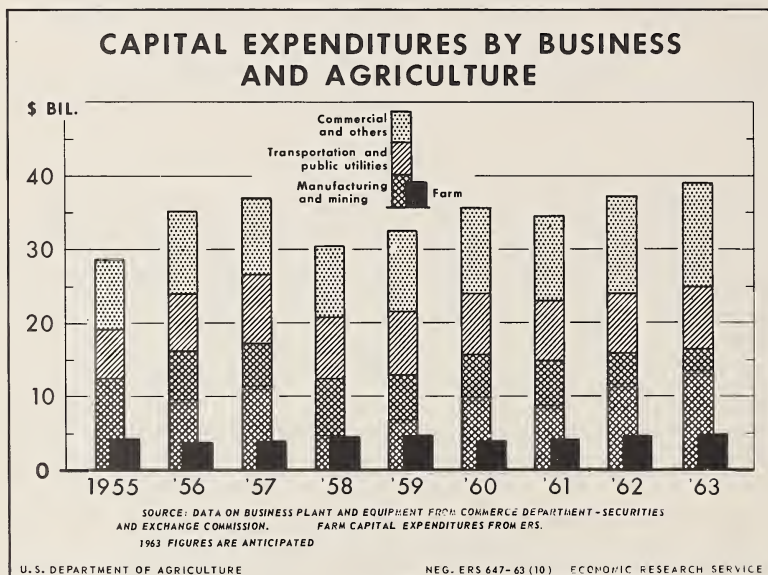


Figure 2

Outlays for new plant and equipment, according to the SEC-Commerce survey of business plans, are scheduled to rise further in coming months. Investment in new plant and equipment this year total 5 percent above 1962. Large increases are indicated for industries manufacturing durable goods and the railroads. Increases in 1963, including considerable plant modernization and new capacity, have been moderate. Increases in economic activity and rising profits have contributed to the increase in capital outlays. The tax credit on new investment and new depreciation guidelines also have contributed to a record corporate income flow available for financing new investment.

Underlying economic conditions and reported plans for some industries point to further increases in outlays for plant and equipment in the coming year. New orders have risen since last year and in recent months have continued at levels well above a year earlier. New orders for metal-cutting and forming tools also are well above 1962 and backlogs have risen to about 5 months at the September delivery rate.

Increased production has stepped up the operating rate of manufacturing industries this year. Measures of capacity and operating rates are very approximate, but some major industries are operating at high rates relative to capacity. Accordingly, prospective demand expansion likely will stimulate increased capital outlays. Prospective gains in corporate profits and business savings will help to improve the ability as well as the incentive to expand capital outlays.

New construction activity has increased this year with residential housing starts up to around 1.60 million units in the third quarter from 1.43 million a year earlier. Increased construction of multi-family units in recent years apparently has been due in part to the rapid increase in the 20-24 year age group as well as to rising income. In addition, outlays also increased for residential alterations and commercial and industrial construction. Changes in the age characteristics of the population indicate a slower growth in the number of younger families in 1964. But with rising incomes, residential construction activity is expected to continue high in the coming year.

Net additions to inventories in 1963 were about in line with the expansion in sales and economic activity. If price advances are moderate during the coming year, inventory policy, too, is expected to remain conservative with net additions to inventory about in line with increases in final demands.

#### Government Expenditures

Expenditures for goods and services by Federal, State, and local governments account for around a fifth of the gross national product. These expenditures were at an annual rate of \$126 billion in the third quarter, \$9 billion above a year earlier. With the expansion in consumer and business income, Government revenues have risen slightly more than expenditures resulting in some reduction in the deficit on a national income and product account basis.



Purchases by the Federal Government in the third quarter were at a rate around \$4 billion above a year earlier with most of the rise coming in defense and space activities. Commodity Credit Corporation investment in farm products and outlays for other agencies also increased in fiscal 1962-63. Expenditures by State and local governments accounted for more than half of the rise in total purchases continuing the steady uptrend of past years. This persistent rise in State and local government outlays reflects increases in employment and in construction of new schools, roads, and other facilities to service a mushrooming urban population. These demands on the economy will continue to rise at least as rapidly as in the past year (figure 3).

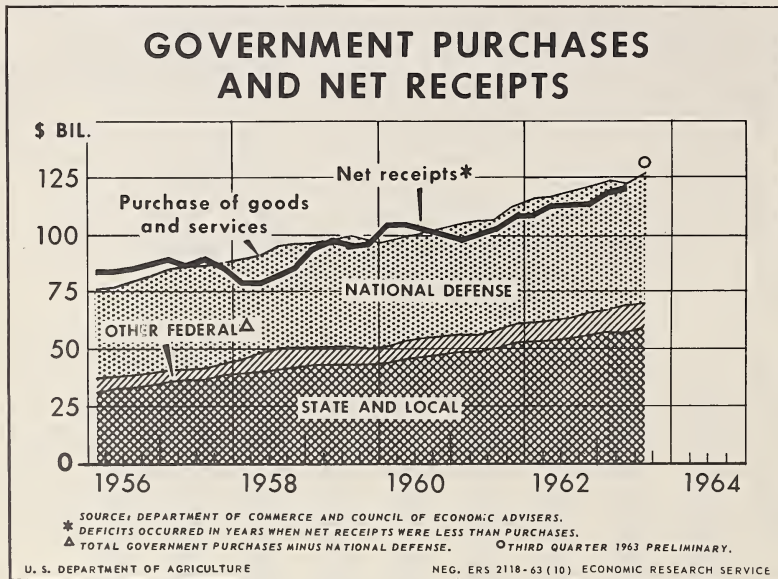


Figure 3

The increase in Government purchases of goods and services in the coming year may not match the \$9 billion annual increase over the third quarter 1962. The budget for fiscal 1964-65 is now being set. Recent discussion relating to commitments in defense and space activities emphasizes efforts to maintain a tight rein on increases in Federal expenditures. Reductions in CCC investment in farm commodities are expected in view of prospective increases in exports and the wheat program now scheduled for the 1964 crop.

# Major Sources of Demand

In summary, what do the above prospects for major sources of demand suggest for 1964? Business investment plans are already being made for 1964, but these plans can be modified. Changes in investment demand summarized above point to: (1) An increase in outlays for new plant and equipment as large as in 1963; (2) a continued high level of construction activity; and (3) an increase in business investment in inventories as economic activity expands. These increases, of course, would be contingent upon a sizable gain in total demand with accompanying increases in output and the demand for plant expansion. With a further rise in Government expenditures, non-consumption spending may increase by \$10 to \$12 billion (figure 4). Normally such an increase in nonconsumption outlays would add correspondingly to consumer expenditures which approximately doubles the increase in the gross national product. But if tax rates are reduced, as currently under discussion by the Congress, the initial and secondary impacts on output, employment, and consumer income may result in an increase of 6 percent or more in the gross national product. Such an increase would be larger than occurred over the past year.

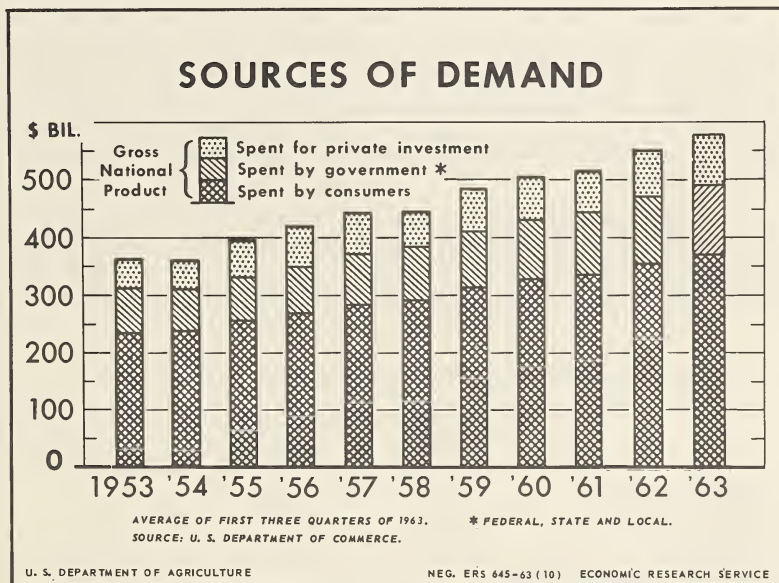


Figure 4

Output, Employment and Prices

Industrial production has begun to rise after a temporary summer lull associated largely with reduced steel and auto production. Output of factories and mines in the third quarter was at a rate 6 percent above a year earlier. Increases over the year were fairly general, reflecting the expanded demand for autos, household appliances, food, apparel, and other consumer goods. Increased purchases by business and Government resulted in increased output of industrial equipment, machine tools, motor trucks, farm machinery and equipment, and other capital goods and defense materials.

Increases in employment usually accompany expanding output when plants and the labor force are less than fully employed. Nonagricultural employment in the third quarter was at a rate of 64 million, a gain of 1.2 million workers from a year earlier; farm employment continued its gradual downtrend. But the number of job seekers entering the labor force also continued to rise and the unemployment rate held relatively stable at a little above  $5\frac{1}{2}$  percent of the labor force. Reductions in unemployment, however, have taken place among married men. Unemployment rates continue highest among workers who lack experience and training.

Real output of the economy--industrial production, farm output, construction, etc.--was at a rate in the third quarter about 4 percent above a year earlier. Total employment increased around  $1\frac{1}{2}$  percent and the length of the work week held fairly stable at a high level. The implied rise in output per man-hour of around  $2\frac{1}{2}$  percent, is about in line with average annual increases since the mid 1950's. Wage rates also rose over the year with average hourly earnings in manufacturing in the third quarter 2.8 percent above a year earlier.

The output increase over the past year did not tax the economy's productive capacity or exert much upward pressure on prices. The consumer price index, a general measure of the price level, continued to creep up--around 1 percent--due in large measure to rising prices for services. Wholesale prices and prices of industrial materials changed very little.

Output, Employment and Prices, Third Quarter 1962 and 1963

	<u>Third Quarter 1962</u>	<u>Third Quarter 1963</u>	<u>Percent change from 1962</u>
Gross national product (Bil. 1962 dol.)	555.9	577.5	3.9
Employment, seasonally adjusted (Mil.)	68.0	69.1	1.5
Hours per week, manufacturing industries (Hours)	40.4	40.4	0
Consumer price index (1957-59=100)	105.7	106.9	1.1
Wholesale price index (1957-59=100)	100.7	100.4	-0.3

Expanding demands on the economy are expected to lead to further increases in output and employment in the coming year. With the proposed tax cut, gains would be large enough to bring about some improvement in the overall unemployment rate as the year progresses. Since some major industries are producing somewhat below preferred operating rates, no great price pressure is indicated though selective increases have occurred recently in steel products, other metals, and a number of other industrial materials.

Wage rates will continue to rise further in the coming year. Expected increases in employment would expand personal incomes more than the gain of  $4\frac{1}{2}$  percent over the past year. And a reduction in tax rates would likely accelerate the gain in the after-tax income of consumers. Expanding economic activity also will increase off-farm employment opportunities for farm people. Rising population and prospective increases in per capita buying power assure continued expansion in domestic markets for food and other farm products.









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UNITED STATES DEPARTMENT OF COMMERCE  
Office of Business Economics

Statement by Louis J. Paradiso, Associate Director,  
Office of Business Economics, U.S. Department of Commerce,  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., Monday, November 18, 1963

Examination of recent and current developments together with the little information we now have on government and private programs, suggest that the economy has enough upward momentum to keep rising during the first two quarters of next year. Without a tax cut, the prospects after mid-1964 are quite blurred. A reasonable position is that the economy would continue to move up but at a limping pace at best. If a tax cut is enacted early in the year, however, private demands will be greatly stimulated and the economy should move ahead throughout the entire year at a faster pace than this year. It is too early to try to set forth specific GNP forecasts which can be soundly based. Many Government appropriations bills have not yet been passed; business investment programs in many cases are still tentative or have not been fully formulated.

If we assume the general 1964 pattern as I have indicated, the implications on employment and unemployment are impressive. If no tax cut is enacted, and assuming similar increases in the labor force, prices, and productivity which we experienced this year, employment next year would not show any substantial improvement over the average for this year. This implies that we would have little success in taking care of the additions to the labor force and the rate of unemployment could well rise from the 5.6 percent average for this year to a rate ranging from 6 to 6-1/2 percent next year.

On the other hand, if an early tax cut is enacted, prices may generally be firmer, productivity gains should be better and the labor force may expand somewhat more than this year. But production, demands, and employment would accelerate. The economy would grow at a fast enough pace to provide job opportunities not only for the newcomers into the labor force, but also for many of those now unemployed. Total employment in 1964 could increase by as much as 1-1/2 million over the average for this year. Under these conditions the unemployment rate would drop to around 5 percent as an average for the year and this would set the stage for the attainment of a much more desirable rate of 4 percent or less later.

### Fixed Investment

Later this month the Government will have its first indication as to businessmen's capital investment programs for early 1964. Several private surveys have already canvassed the expectations for 1964. One survey has already reported a 4 percent rise and another an 8 percent increase. In each of these surveys when the economy has been in a rising phase there has been a tendency to understate the actual amount of the rise. Taking this factor into account, and considering the fact that machinery and equipment orders have been tending upward since the second quarter of last year, I would project the expansion in plant and equipment expenditures next year to be 7-10 percent and probably closer to 10 percent above the total for this year, or, in other words, an increase of nearly \$3-4 billion from the \$39 billion expected this year. Since plant and equipment expenditures are estimated at an annual rate of \$41 billion in the current quarter (OBE-SEC basis) -- 5 percent above the 1963 total -- the indicated rise next year would mean no overly strong expansion.

In the event of an early tax cut, outlays for plant and equipment for 1964 as a whole would probably rise even more -- but not much more -- the acceleration in such spending would probably come in the later months of the year. The initial impact of reduced taxes would be on consumer demand. Investment outlays would be triggered only after sales have grown for some time and orders pile up. Thus, a tax reduction would assure the carrying through of existing investment programs and would result in the consideration and initiation of new programs with improving sales and profits prospects.

### Inventories

In recent years total inventory demand has been geared especially close to the movement of economic activity. In other words, inventories have moved in a parallel fashion with GNP. In real terms, the level of inventories in 1961, 1962, and so far in 1963 has held at about one-fifth of the GNP. The inventory accumulation this year will be about \$4-1/2 billion (GNP basis).

I would judge that if no tax cut is enacted, inventory accumulation in 1964 may again be of the order of \$4-5 billion -- about the same as this year. This assumes that the rise in GNP in 1964 over 1963 would be somewhat less than that for this year and continuing relative price stability. If a tax cut is enacted, however, the expected additional increase in economic activity in 1964 would require a considerably larger inventory accumulation -- by perhaps as much as \$3 billion more than the additions which are likely to be made without a tax cut. Such a rate of inventory building would be in line with the higher GNP and would be consistent with the recent cautious business inventory policy.

### Consumer Expenditures

Finally, a few comments on the consumer sector. For some time, expenditures for nondurable goods and services have comprised a fairly constant proportion of disposable income -- about 80 percent. In view of the increases expected in the government and investment sectors, disposable income may be expected to move upward next year, and spending for nondurables and services may also be up -- in line with the usual ratio to income. In the last three years the proportion of service expenditures to spendable income has risen at a somewhat slower pace than in earlier postwar years. I would expect expenditures for services to again show a good increase next year, but probably show little change relative to the income rise.

Food, clothing, and other nondurable goods purchases are dependent upon population growth and, to a lesser extent, on income. This year these purchases are expected to increase \$6 billion. Without a tax cut a somewhat smaller gain may be expected next year, and with a tax cut the increase may be at least half as much more than the rise this year.

A most important category of consumer spending from the point of view of the dynamics of the 1964 economy is consumer durables. This year automobile sales are expected to total 7.7 million units (including imports), compared with 7.1 million in 1962. So far in this model year, automobile sales have been exceptionally good. With this fast start and anticipated higher income, car sales may well top 7 million for the third consecutive year. However, unless the rate goes above this year's 7.7 million, the auto industry will not contribute to a further lift in GNP next year. If an early tax cut is enacted, the impact on durable goods buying should be substantial and, in particular, auto buying which is very responsive to income changes may be boosted to a new record high in 1964.

Furniture and appliance sales are to some degree dependent upon residential construction activity. It is expected that private nonfarm residential starts will total 1,500,000 this year, compared with 1,440,000 last year. Recent trends in housing activity, starts and permits, together with a consideration of household formation, vacancy ratios, and other factors, indicate no spectacular increase in housing activity next year -- perhaps a rise of the order of less than 5 percent. While furniture and appliance expenditures in 1964 might be up somewhat due to higher incomes and residential activity, the increase in these purchases may well be within the same range as that for residential construction activity.

In sum, the economy next year, as seen from a present appraisal, is expected to better this year's performance even without a tax cut but it will not be satisfactory all around -- particularly with respect to unemployment. A much more buoyant economy would result from a tax reduction and a lowering of our present high unemployment rate would be a most welcomed outcome.





Summary of Remarks by Mrs. Aryness Joy Wickens  
at the 41st Annual Agricultural Outlook Conference  
Panel Discussion on the National Economic Situation and Outlook  
Washington, D. C., Monday, November 18, 1963

It is my purpose today to discuss three aspects of the economic outlook for 1964 -- employment and unemployment, wages, and prices. Mr. Daly, in his opening statement, has set the stage.

The direction of the change in activity and employment for at least the early part of 1964 is not generally in question, for the economy today has considerable momentum. However, the anticipated size and duration of the increase depends largely upon one's views on a tax cut -- whether, when, and how -- and on the possibility of a major expansion in private capital investment.

#### Employment

In the context of Mr. Daly's evaluation, the first question is: Will the rise in activity be sufficient to reduce unemployment to more acceptable levels?

The anticipated rise in economic activity should bring a further increase in total employment -- just such a rise as we have had since the latter part of 1961, with the exception of the plateau -- or shall we call it a slowdown -- about a year ago at this time, when we last met. The employment record of the past two years shows a substantial gain. Almost 2 million more people were employed this October than in October 1961, and one million more than a year ago.

From the low of this cycle, however, employment has expanded by only 4.0 percent, seasonally adjusted, although industrial production has increased by over 20 percent, and GNP about 15 percent, in real terms. This gain in employment is much smaller than in earlier postwar recoveries. It is far from being big enough to reduce unemployment substantially.

In this recovery, the increase in employment has been entirely in nonagricultural work. Other industries more than took up the slack in agriculture.

Throughout this current expansion factory employment has increased substantially, especially in durable goods such as automobiles and in the other metals and metal-working industries as well. Expansion in defense work was important in 1961 and early 1962, during the tension in Berlin; recently defense employment has slackened somewhat. However,

capital goods and consumer durables have continued to gain. Construction, too, has engaged a larger number of people. Yet total employment in each of these industries is still no higher than it was in 1956. Mines and the railroads have reduced employment further. In this recovery, as in most of the postwar period, the largest increases in actual numbers of jobs have come in trade, in State and local governments (mostly in education), in services and in a variety of miscellaneous occupations.

More people are now working fulltime than last year and the factory work week has been longer than usual, averaging over 40 hours a week for virtually all of the past two years. In September, factory overtime was the highest since the beginning of our records in 1956 chiefly because of the schedules of automobile manufacturers and seasonal industries which find it more advantageous to work overtime than to go through the involved process of hiring new people to meet short-term peaks.

Productivity, for the economy as a whole, has increased in the past three years beyond the average rate for the post war period. In manufacturing, the annual increase in output per man hour has been quite high -- over 4 percent a year -- compared with an average of 2.7 percent in the postwar period 1947-62. Some industries, including agriculture, and many individual plants have introduced new technology which has had considerable effect in reducing job opportunities. But even the smaller long-run average gain in productivity means that we must find some one and three-fourths million more jobs each year for those that are displaced, either actually or potentially, on top of the need for more than one million jobs to take care of the annual net addition to the labor force.

The crucial problem for the future is the persistence of an unduly high level of unemployment. This autumn, the seasonal low point of unemployment for the year, there have been about 3.5 million people out of work. Nearly half a million of them have been unemployed for six months or more -- the same number as last year. Many of these, of course, are different people; some individuals get jobs, other lose jobs, and the group changes constantly.

The overall unemployment rate has been at 5.5 percent or a little over since the early spring; indeed, it has varied between 5.5 and a little over 6 percent for nearly two years. Having cited this rate, I want to caution you not to put too much emphasis on it as a guideline to questions of policy. It conceals the very trends on which program decisions should be based. Rather, I suggest that you look at the rates for different parts of the labor force. The rate for married men -- generally experienced and attached to jobs -- is now only 2.9 percent; it has come down one-half percentage point in the past year. The highest unemployment rate is for young people under 20. It has been over 15 percent this autumn, substantially higher than a year ago and almost as high as in the recession years of 1958 and 1961. The unemployment rate for women has not diminished. In other words, we have not had enough economic growth to take care of new job seekers, the inexperienced, the less skilled, or the technologically displaced.

In 1964, the level of unemployment will depend importantly on the size of the labor force. It is expected to expand by about 1,200,000, a little more than this year. The effect of the big population bulge comes a little later -- in 1965. The babies born in 1947 were 16 years old this year. More are staying in school now than in earlier years and they are only beginning to go job hunting at 16 or 17 or 18 -- and then many of them are looking for part-time jobs. But in 1964 and especially in 1965 young people will contribute in a special way to the rate of unemployment unless strong, effective measures are taken to help them find work or to keep them in school.

If there is only a modest increase in activity next year, the labor force may increase less than is projected; more young people will stay in school and probably fewer women will seek work and the overall rate of unemployment could be higher than at present.

If there is a substantial increase in activity, and the more optimistic forecasts of today prevail, the unemployment rate would go down below today's level.

For farm youths or mature farmers looking for urban jobs, an adequate education, training in a marketable skill and placement help to find jobs in strange cities becomes increasingly important.

Above all, our economy in this coming year requires the stimulus of new activities, of innovation, of new products -- our principal source of employment growth. Even if demand and the level of output rise substantially, however, there will remain special problems of unemployment for which special programs will be required. The unemployed are not just statistics -- they are real live people, out of work and out of money.

### Prices

Prices are not likely to be a causative factor in economic developments in the coming year. The last several years have seen marked stability in the general level of wholesale prices and a persistent gradual upward trend in consumer prices. In 1964, wholesale prices are likely to rise moderately. As for consumer prices, there appear to be no factors in the offing which would change their continued upward trend.

Prices in the industrial sector -- outside of agriculture -- have had a tendency to "firm up" lately as markets have been tested. For some basic commodities, mostly metals, and for metal products and machinery, there have been price advances. Despite these increases, however, prices of many of the basic commodities average out below their 1960 levels. The recent increases are generally of the dimensions one might expect in an active economy, just as the declines in 1961 reflected the weaknesses in demand of that period and the overcapacity in some industries.

The Consumer Price Index remained fairly steady for the three months July through September this year, after a sharp rise in the early summer, and is now about 1 percent above a year ago. Food prices have been responsible for most of the marked month-to-month fluctuations this year. Charges for services have continued to rise throughout the year.

For next year, no major new forces affecting consumer goods prices are in evidence, unless this conference sees some that will change prices of foods -- and I leave that to you. Consumer demand continues strong, especially for a variety of durable goods; it seems to be moving toward more expensive or higher quality models. "Trading up" seems to be characteristic of today's consumer buying.

There are, however, some potential upward pressures on costs and prices at both wholesale and retail which most current appraisals tend to overlook -- the possibility of higher transportation charges, especially for trucking, and the rising level of State and local taxes on industry, on retail sales and on real estate, as communities seek to finance additional services.

#### Wages

So far as wages are concerned, it is expected that the increases in 1964 will not differ markedly in size from those in 1963 or 1962, and 1961, for that matter. Only a very drastic change in the economic climate leads to a substantial change in the size of wage rate increases.

Wage changes in major wage settlements have been somewhat smaller this year than in 1962 -- indeed they have been smaller in cents per hour for the past 3 years than in earlier years. The wage increase in negotiated contracts in all industries has been about 3 percent or about 7 cents an hour; in manufacturing about 2.5 percent or 5 cents per hour; in construction 3.8 percent or 14 cents an hour. These changes are for cash wages and do not reflect the cost of "fringe benefits" on which negotiations have concentrated to a considerable extent. "Fringe benefits" add to total labor costs, but even taking them into account, the rate of increase in labor costs in major bargaining agreements seems to have been smaller in the past three years than earlier.

Most of these data are for contracts for production workers. There is some evidence that white-collar wages and salaries in private industry -- where there are shortages -- have been going up faster than rates for blue collar workers.

In 1964 the industries in which there will be new negotiations include automobiles and parts, farm equipment, construction, trade, and some of the telephone companies. Most major trucking agreements expire early in 1964. This can be a matter of great interest to you since so much of your shipping is done by truck -- as can the conclusion of the railroad work rule negotiations.

In view of this year's high profit record in some industries, one must expect some very hard bargaining. The emphasis in bargaining is likely to continue to be on various methods of improving job security as well as on higher incomes.

Some wage increases are already negotiated to become effective in 1964; they do not differ significantly from the increases in 1962 or 1963. There will be no cash wage increases in basic steel, or aluminum since there will be no new negotiations next year.

Some rates are tied to the cost of living -- about 2.5 million workers are covered by such contracts -- and their pay will be determined by the rate of increase in consumer prices.

In summary:

The expectation is for moderate price and wage changes similar to the emerging trends of this year; a further increase in employment, and, given a strong advance in activity, a reduction in unemployment.









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U. S. DEPARTMENT OF AGRICULTURE  
Economic Research Service

CURRENT DEVELOPMENTS AFFECTING THE FOREIGN TRADE OUTLOOK

Talk by Raymond A. Ioanes,  
Administrator, Foreign Agricultural Service,  
at the 41st Annual Agricultural Outlook Conference,  
Washington, D. C., 2.00 P. M., Monday, November 18, 1963

These are exciting times in the foreign trade field. Never before in my experience have I seen so many problems being probed and approaches being tested as in recent months.

I have just returned from the Amsterdam Trade Fair and Symposium where we have been trying to focus North Atlantic Community attention on the trade issues, particularly agricultural issues, which we must solve in the months ahead. The Amsterdam operation has been a long-range effort to promote a better understanding of problems and possible solutions as we get ready for the Kennedy Round of trade and tariff negotiations which begin in 1964.

Many of the developments taking place in the world today could well affect the foreign trade outlook for a long time to come. Let's talk about a few of the more important ones to see if they suggest directions in which we are moving with respect to foreign agricultural trade.

But first let's look at the 1963-64 export situation.

The immediate outlook for U. S. agricultural exports is brighter than in any other year in the Nation's history. Exports in 1963-64 promise to surpass by a wide margin anything we have ever done before--and we have been doing very well in recent years.

It appears now that total shipments of farm products in 1963-64 will approximate \$6.0 billion. If shipments hit that level--and much will depend on whether substantial grain sales to the Soviet Bloc countries materialize--they will exceed by 15 percent the previous record of \$5.1 billion established in 1961-62.

We can be especially pleased that the total sold for dollars will be at a new peak of about \$4.2 billion, representing 70 percent of total shipments. This sharp gain in dollar sales is of special importance when we consider our still-critical balance of payments situation.

Many things account for the currently favorable export prospects. Export demand for food and fiber has been on the upgrade for a number of years because of foreign population increases, the higher purchasing stimulated by economic growth, U. S. market development activities, some liberalization of trade in farm products, and U. S. efforts to gear our farm productivity, through the Food for Peace Program, to requirements of the less developed countries. To these factors we must add this year the "extraordinary" element of agricultural shortages in some countries, which many observers believe are largely the result of unfavorable weather.

Wheat was hit especially hard by weather. It is important to note that the losses in wheat were not only heavy in certain traditional importing areas, such as Western Europe and Japan, but also in some exporting countries, such as the Soviet Union and France. The Department estimates that the additional trade created for exporting countries because of the poor wheat crops in 1963-64 total close to 600 million bushels.

By way of contrast, the principal wheat exporting countries all had large harvests. Both Canadian and Australian outputs set new records. And production in the United States was up from last year. Furthermore, Canada and the United States entered the current season with especially large wheat supplies in inventory. Therefore, there was more than enough wheat on hand to meet the new demands.

An important new element in the grain picture is the coincidence of large purchases of wheat in the same year by Communist China and the Eastern European countries, including the Soviet Union. These two areas are entering world markets this year for the purchase of about 500 million bushels of wheat and wheat flour--a total accounting for about 25 percent of 1963-64 world trade in this important cereal.

These "new" sales for cash highlight the fact that commercial world wheat trade has been rather static. For example, if we were to eliminate from this year's world wheat trade the purchases by the Eastern European Communist countries and Communist China, and compare the remainder with the wheat trade that existed eight or ten years ago, we would find that world wheat trade has increased largely because of the Food for Peace Program. So the point we need to dwell on is whether the Soviet Bloc countries and Communist China are going to be continuing takers of huge quantities of wheat and other grains in the years ahead.

We know that Communist China did not have a good grain harvest this year. Although the regime has made no announcement of grain-purchase plans for 1964, the factors which led to purchases in recent years are still present. I think we can assume that Communist China will still be in the grain market next year.

How about the Soviet Union? We are pretty well convinced that poor weather had a lot to do with Russia's huge purchases this year. If I had to guess, I would think that a good growing season in 1964-65 would cause Russia to stay out of the world market. Russia has a tremendous wheat acreage. Just a few bushels per acre more or less make a big difference in the Russian supply situation.

The newspapers have given good coverage to the wheat negotiations currently being conducted with the Russian delegation. So far, actual sales have been limited to several "parcels" of corn and wheat to Hungary. The Soviet Purchasing Mission is in the United States, discussing terms and delivery conditions with U. S. private traders. As you might expect in a negotiation of this kind, involving as it does sales by individual private traders to a new buyer whose system is so

much different from ours, a certain amount of probing and clarifying of the ground rules must be expected. I think that this process is just about completed and the paths cleared for business.

I want to talk now about certain developments taking place in the United Kingdom. These are developments which have not had wide publicity in the general or trade press. But lack of publicity does not diminish the importance of the British moves. As you probably know, the United Kingdom is one of our best customers for U. S. farm products. Our agricultural shipments to Britain amounted to \$367 million in 1962-63--and have been as high as \$475 million in recent years.

The United Kingdom has followed a fairly liberal trade policy for many years. It is true that the United Kingdom gives British Commonwealth countries, notably Australia, New Zealand, and Canada, import preferences on a number of agricultural items, such as certain grains, meats, tobacco, and others. But it also is true that the United Kingdom grants duty free treatment to some of the commodities we are most eager to export, such as wheat, yellow corn, cotton, and moderate duties on some other commodities.

Now the British are taking a new look at several of their domestic agricultural programs.

One of the looks has been directed at grain. The British are proposing a system they hope will mean smaller government outlays for agriculture and more stable prices. Under the present system, British grain farmers receive so-called deficiency payments on their entire output, the payments representing the difference between an established price level and the world price, as reflected by "landed costs" of grain in the United Kingdom. Now the British are proposing that a limit be placed on the funds available for deficiency payments to their grain farmers. Also, a national production base in terms of the value of output rather than acreage would be estimated. If production in the new crop year exceeded the base, payments per bushel and returns to farmers would be reduced.

Another major feature of the U. K. proposal is the introduction of a system of minimum import prices. In simple terms, the system would provide for the imposition of import levies on imported grain, if needed, to bring the landed duty-paid cost of the grain up to the level of the minimum import price. It obviously would be unnecessary to levy such charges if exporting countries could land their grain in England at prices equal to or above the minimum import price schedule.

Some of the major features of the overall plan are not yet known, such as the national production base and the size of the national payment fund. But we are keeping in close touch with the situation to try to assure that our grain exports to the United Kingdom are not adversely affected. After all, the United States has valuable bound duty commitments from the United Kingdom on a large part of our grain trade. We must make sure that our rights for these concessions are not impaired by any new system that might be adopted.

We also are interested in recent British actions to limit meat imports from non-Commonwealth sources. We are interested because of the effect these British moves on the U. S. meat import situation and the effects on international trade policies generally.

Both beef and pork are affected by the British actions. Under a "gentlemen's agreement" established earlier this year, Argentina will limit exports of beef to the U. K. market in accordance with voluntary quotas. The quotas, though subject to periodic revision, are considered binding by both countries. Yugoslavia reduced meat shipments to the United Kingdom by about 35 percent this year. Yugoslavia's action was taken after the British Parliament showed increasing concern over unlimited imports entering the United Kingdom.

Just a few days ago the United Kingdom established import quotas on bacon (Wiltshire sides) with seven supplying countries--Denmark, Hungary, Ireland, The Netherlands, Poland, Sweden, and Yugoslavia--and established the quantity of British-produced bacon that is to be supplied. The shares of the market are to be established by a Bacon Market Council, composed of representatives of the participating governments under a U. K. chairman, assisted by necessary industry and trade advisors. The Council also will allocate shipments from reserve supplies to satisfy unforeseen demand conditions and to maintain price stability.

The British appear to be closing their trade doors somewhat on beef imports. The action is perhaps not so significant in its present form as was the termination of long-term meat supply contracts with Commonwealth countries which took place a few years ago. But the effect of the new action, particularly if it is extended to other exporting countries and a minimum import price feature added, could throw a greater trade burden on the remaining importing countries of the world.

The United States is, of course, the most important of the meat-importing countries. A few years ago we took 26 percent of the world's trade in beef. Today, however, we take over 50 percent. We have replaced the United Kingdom as the world's leading beef importer. Obviously we are directly affected by any action which is taking to restrict exports to other markets of the world, such as the United Kingdom.

The action the British have taken on bacon has a most interesting feature in it. British farmers are in effect sharing their home market with foreign suppliers. I have not yet examined details of the formula used for this purpose. Therefore, I am not in a position to pass judgment as to whether the formula has policy implications for other products. Nevertheless, this technique is one which we are sure will receive increased attention in the days ahead.

Today I want to limit my remarks with respect to the European Economic Community to the recently announced Mansholt Proposal for the unification of EEC grain prices. This, of course, is a most important matter, not only to EEC members, but also to grain and livestock producing countries.

On November 5, Sicco Mansholt, Vice President of the EEC Commission, proposed the unification of Common Market grain prices to become effective for the 1964-65 crop. The jump to immediate unification is in sharp contrast to some earlier ideas that, although the eventual Community-wide



target price might be set promptly, its achievement would probably be approached in stages until reached in 1970.

Mr. Mansholt has suggested an intervention or support price for wheat in 1964-65 of \$93.69 a metric ton, or \$2.55 a bushel. In terms of current intervention prices, that is an increase in the current price support level in France of about 8 percent and a decrease in Western Germany of about 11 percent. However, since it appears that the present French quantum system would be eliminated, as well as certain taxes, the effect on French grain prices would be even greater. We calculate that wheat prices received by farmers in France would go up 15 percent in 1964-65 and barley prices 20 percent.

As part of the Mansholt Proposal, grain prices would be reviewed annually. The review would take into account the effect on farm prices and incomes of the general level of prices, production costs, demand, and other factors.

Under the proposal prices would be reduced below existing levels, particularly in West Germany. These reductions would be offset fully at the beginning through a system of payments and then, until 1970, on a declining scale.

The Mansholt Proposal is, of course, extremely important to the EEC and to the United States. It is being widely discussed in Brussels, and in the respective capitals of the EEC countries. Needless to say, it is also being studied and discussed in capitals of the grain exporting countries. It is scheduled to come before the EEC Council for consideration in mid-December.

A key question that will be asked in the days ahead is what effect these price levels will have on EEC production, particularly in France, in the years ahead. For it is the spur that prices will give to production, coupled with the real unification of the EEC grain market and its built-in preference for internal suppliers, which will determine the level of the EEC's import needs.

You may be sure that the U. S. Government is making its views known with respect to this key problem. The goal the United States has in mind is the maintenance of our share of the growing grain market that we have enjoyed within the EEC in recent years.

This concludes my discussion of certain current developments. There are many others, of course, that I could touch upon. But Bushrod Allin has arranged a panel discussion that will give us an opportunity to cover the matters we have not been able to include in our individual statements.

It has been a pleasure to meet with you.

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## FOREIGN TRADE OUTLOOK: LONGER-TERM IMPLICATIONS

Address by Willard W. Cochrane  
Director, Agricultural Economics  
at the 41st Annual Agricultural Outlook Conference  
Washington, D.C., at 2:45 P.M., Monday, November 18, 1963

In this paper I want to look at U.S. farm exports over the next 5 years, focusing primarily on the year 1968. This forward look is based on a careful examination of demand in the principal overseas outlets for each commodity, taking into account projected growth in population and income for each country. We have also taken into account the projected supply position of the United States and the projected exportable surpluses of principal competitors.

The level of U.S. farm exports, which has risen rapidly over the last several years, is expected to continue this upward trend over the next several years. Farm exports, averaging just under \$4 billion per year in the late fifties and \$5 billion annually thus far in the sixties, are projected to pass the \$6 billion level by the late sixties. Exports of the current year may approximate the \$6 billion level projected for the late sixties, but owing to the unusual conditions in the Soviet Bloc and Western Europe, this year's exports are well above the long-term trend.

U.S. farm exports are rising faster than farm output. During the late thirties exports of farm products amounted to 7 percent of gross farm income. Since that time the share has risen steadily, reaching 9 percent in the forties, 10 percent in the fifties and 13 percent in the early sixties. Projections of farm income and exports show this share still rising, exceeding 14 percent by 1968.

Traditionally, exports of farm products have represented a declining share of our total exports. This trend has, however, recently been reversed. Farm exports are now expanding much more rapidly than nonfarm exports. The agricultural share of total exports, reaching a postwar low of 18 percent in 1953, is now rising. In each of the three years, 1960-62, farm exports represented 24 percent of total exports. Given the projected rise in farm exports in this paper, agriculture's share of total U.S. exports should be even higher in 1968.

Public Law 480 shipments, being used more and more to underwrite economic development programs in recipient countries, are expected to expand at about the same rate as commercial sales. The share of farm exports moving abroad under P.L. 480 will thus remain about the same as at present.

The role of U.S. agriculture in the international economy is steadily expanding. Agricultural exports from this country now exceed total exports from most countries, the only exceptions being West Germany, the United Kingdom, France, Canada, and the Soviet Union. Or, compared with other leading suppliers of farm products in world markets, agricultural exports from the United States exceed those of Canada, Australia and Argentina combined.

The destination of U.S. farm exports by region is changing. Historically, Western Europe took the greater share of the U.S. farm products moving abroad. Up until about 1950, this region took two-thirds or more of the total. After this point, however, the export pattern shifted rather abruptly as Western Europe's share dropped to less than one-half, and Asia's share picked up sharply, going from one-sixth to about one-fourth. Asia's share remained at this level until Public Law 480 was enacted in 1954. Following this, Asia's share increased further, reaching an average of 29 percent in the 1960-62 period.

The share of our farm exports going to Latin America has fluctuated widely, reaching a high of 15 percent in the 1950-54 period. Since the late 1950's U.S. agricultural exports to Latin America have not kept pace with our total farm exports. This is due in large part to the recent loss of the Cuban market-- previously our leading Latin American market.

Farm exports to Canada, growing steadily in recent years, nearly doubled from 1950-54 to 1962. Our economically prosperous neighbor to the north now imports more U.S. farm products than all the countries of Latin America combined. It should be noted, however, that a small but significant part of the exports going to Canada are used to "finish off" outbound ships moving out the St. Lawrence Seaway.

Africa, starting from a very low base, is increasing steadily in importance as a market. The African share of slightly more than 1 percent in the prewar period reached nearly 8 percent in 1962.

The developed regions as a group are taking a declining share of our farm exports. Over the past 25 years, Canada and Oceania have consistently taken about 10 percent of the total but Europe's share has been dropping sharply. Together, these regions took 77 percent of the total during the 1935-39 period. During the 1950's this share fell to 59 percent. Thus far in the 1960's, it has been 56 percent. Conversely the less developed regions have upped their share of our farm exports from 23 percent prewar, to 41 percent in the 1950's, and to 44 percent in the 1960's.

U.S. exports of grain, both food grains and feed grains, are expected to continue the upward trend of recent years. Exports of all grains, which are projected to reach 41 million metric tons in 1968, would be double the average annual exports of the 1955-59 period. This represents an alltime high for the export of both wheat and feed grains.

Grains are becoming increasingly important in the overall U.S. export pattern. During the 1950's they accounted for exactly one-third of all agricultural exports. By the early 1960's this share had risen to nearly 40 percent, a level likely to be maintained through 1968.

U.S. exports of wheat, including flour expressed in wheat equivalent, averaged 624 million bushels annually from 1959 to 1961. By 1968 annual wheat exports are expected to average 800 million bushels.

The share of U.S. wheat production exported is steadily increasing. Just over 50 percent was being exported in the 1959-61 period. This share is projected to rise to 56 percent by 1968, even with the much greater output. During the 1959-61 period an average of 26 million acres were producing wheat destined for export. By 1968, the acreage required to meet export needs, allowing for projected improvement in yields, will exceed 31 million acres.

The growing importance of overseas outlets is reflected in the fact that American farmers will be producing wheat primarily for overseas markets in 1968; 11 bushels will be marketed abroad for every 9 bushels used domestically in 1968.

Traditionally most U.S. wheat exports have gone to Europe, but since World War II Asia has supplanted Europe as the leading outlet for wheat. Several of the leading outlets for U.S. wheat are in Asia. Among these are India, Pakistan, and Japan. During the 1959-61 period the United States supplied 36 percent of the wheat consumed in India, 22 percent of that consumed in Pakistan, and 34 percent of that consumed in Japan.

Of all agricultural commodities traded internationally wheat is the most important. Annual world wheat and wheat flour exports, valued at \$3 billion in 1961, exceeded other major commodities such as coffee, sugar and rubber. The U.S. share of world wheat exports, well below 10 percent just prior to World War II, has exceeded 40 percent in recent years and is still rising, a trend expected to continue during the period under consideration.

Rice exports are projected to hold steady at about a million tons of milled rice. The United States now ranks third as a world rice exporter behind Burma and Thailand. It should hold this position since Mainland China, ranking third in the late 1950's, has lost much of its exportable rice surplus.

U.S. feed grain exports, trending steadily upward since the end of World War II, will continue this trend during the period under consideration. Exports are projected at 18.5 million metric tons in 1968--a 50 percent increase above the 1959-61 level.

Feed grain exports are going primarily to Western Europe and Japan. The West European countries and Japan are characterized by rapidly rising per capita incomes and rapid increases in the per capita consumption of livestock products. These countries are also densely populated and have little additional land available to support expanding livestock industries. Thus, they must look to the international market for feed grains.

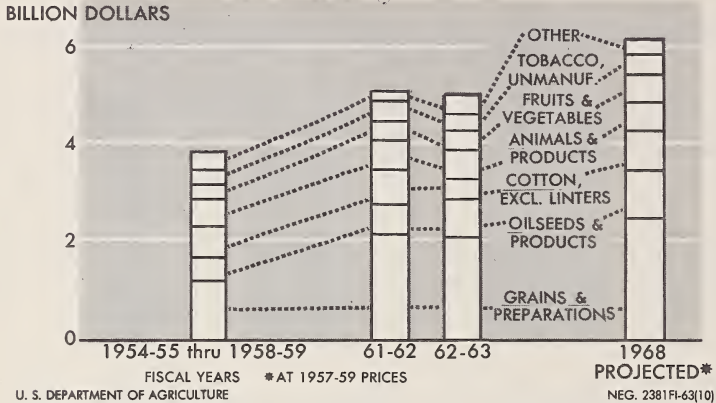
The share of U.S. feed grain output exported, just under 9 percent in 1959-61, is projected to exceed 12 percent in 1968. The acreage producing for the overseas market is projected to rise from 10.8 to 13.5 million acres. Feed grain yields are projected to rise 23 percent during the same period; otherwise the acreage producing for export would be much larger. Whereas the grain from one acre out of every 11 acres harvested was exported in the 1959-61 period, one acre out of every 8 may be moving abroad in 1968.

In recent years corn has accounted for nearly three-fourths of U.S. feed grain exports measured in quantity terms. Grain sorghums rank next in importance and combined with barley, they account for most of the remaining one-fourth. Oats account for about 1 percent of feed grain exports. This general pattern is not likely to change much over the next 5 years.

World corn trade has doubled over the past decade. The U.S. share has remained quite steady at just over one-half of the total. Exports from Argentina, a long standing corn exporter, have not kept pace with the recent



## PROJECTED EXPORTS ABOVE \$6 BILLION LEVEL



growth in total corn exports. Newly emerging corn exporters such as Thailand and the Republic of South Africa have picked up much of the slack. The United States should maintain at least its present share of corn exports over the period under review.

The United States, supplying three-fourths of the grain sorghums exported in recent years, enjoys an enviable position. Aside from the United States there have not been any countries with large exportable surpluses of grain sorghums. Our share of the growing sorghum market, about 90 percent in recent years, should not diminish over the next few years.

The U.S. provides less than one-third of world barley exports. Canada, Australia, and, more recently, France have had sizable export surpluses. World barley exports like those of corn and grain sorghums, have nearly doubled over the last few decades.

The outlook for soybean exports is bright. Both production and exports are rising rapidly. U.S. soybean exports are projected at 240 million bushels by 1968, an increase of 70 percent above the 1959-61 level. The share of production exported, including soybeans and soybean oil, is projected to remain relatively steady at nearly one-half.

Seventeen million acres will be needed to produce soybeans for export in 1968. This includes both soybeans and soybean oil. The land required to grow soybeans for export purposes alone in 1968 will exceed the annual soybean acreage harvested in the early 1950's.

U.S. soybeans and soybean oil have provided formidable competition for other oilseeds and vegetable oils in the world market. Soybeans are today the leading oilseed, having eclipsed such traditional oil bearing commodities as peanuts, copra and palm kernels. As U.S. soybean exports continue their expected rapid expansion, the U.S. role in the international vegetable oils and oilseeds market will become even more dominant.

Several factors are responsible. On the supply side Mainland China, the only other major world exporter, and once the source of 90 percent of the soybeans entering the world market, has lost its traditional large exportable surplus. Lagging agricultural output, on the one hand, and the steady growth of population, on the other, will likely prevent China's re-emergence as a serious competitor in the world soybean market. Thus, the United States is likely to continue to supply 90 percent or more of the soybeans entering the world market.

On the demand side, world demand for soybeans is expanding for two reasons. Consumption of livestock products is rising rapidly in Western Europe and Japan. This is reflected in the steadily expanding need for imported feedstuffs including soybean oilcake and meal. Second, diets in less developed regions are characteristically deficit in fats and oils. Soybean oil has thus become a leading component of our Food for Peace Program.

Exports of livestock products are expected to make only modest gains over the next 5 years. The increase is not expected to keep pace with the overall increase in agricultural exports, thus reducing the livestock products' share of total agricultural exports from the 12-percent level of the early 1960's to 11 percent in 1968. Among the various livestock products, the outlook for nonfat dry milk is most promising. Exports of this commodity could reach 1.1 billion pounds by 1968--or nearly double the 1955-59 level. Exporting nonfat dry milk to the less developed regions is a practical way of using U.S. agricultural production potential to alleviate diet deficits in animal protein. Nonfat dry milk ships and stores well. It is especially important in the U.S. sponsored school lunch programs now operated in many less developed countries as part of our Food for Peace Program. Some three-fourths of our current nonfat dry milk exports move under the Food for Peace Program.

Hides and skins exports are projected at 14 million pieces in 1968. This represents an alltime high and a sizable advance from the 1959-61 export level. Tallow and grease exports, rising steadily for several years, are projected at over 2 billion pounds, or 30 percent above the 1959-61 level. Lard exports are expected to decline substantially from the 1959-61 level. Per capita lard consumption is declining in some of our high income markets. Another factor reducing lard exports is the recent loss of the Cuban market--once a leading outlet.

Exports of fruits and vegetables should continue edging upward in line with the long-term trend since the end of World War II. In value terms, this commodity group is expected to account for 8 to 9 percent of total exports--about the same as at present.

U.S. cotton exports, despite wide fluctuations over the past decade, have averaged about 5 million bales annually. This general level is expected to continue through 1968. U.S. cotton exports are declining both as a share of total U.S. agricultural exports and as a share of world cotton exports.

Cotton, accounting for well over one-fifth of total exports of farm products in the fifties, is expected to make up just over one-tenth of the total in 1968. In the face of competition from several of the developing countries in Latin America, Africa, and Asia, the U.S. share of the world market has declined somewhat over the past decade.

In addition to competition from other suppliers, U.S. cotton exports are encountering growing competition from synthetic fibers. The use of synthetic fibers is expanding much more rapidly abroad than the use of cotton, thus reducing cotton's share of the overseas fiber market. This competition from synthetic fibers, most pronounced in the industrial countries of Western Europe and Japan, is occurring in the face of world cotton prices substantially lower than in the United States.

Tobacco exports are expected to edge up slightly over the next 5 years, with the 1968 export level about 5 percent above the 1959-61 average. Exports of unmanufactured tobacco represented 9 percent of our farm exports from 1950 to 1959, but because tobacco exports are not expanding as rapidly as total farm exports this share will drop to 6 percent by 1968. The U.S. share of the world market is also declining since world tobacco trade is growing more rapidly than U.S. exports. Another emerging country, the Federation of Rhodesia and Nyasaland, is the principal source of competition in this commodity.

The principal conclusions of this paper are:

(1) Total U.S. agricultural exports will continue the upward trend of recent years exceeding \$6 billion by 1968.

(2) The rise in agricultural exports will be led by grains, both food grains and feed grains, and by soybeans, including soybean oil and oilcake.

(3) Food for Peace will continue to account for an important part of our farm exports, as the less developed regions continue to take a growing share of our farm exports.

(4) The benefits associated with a highly productive agricultural sector will become more evident over the next several years as the demand for food in many countries continues to grow faster than the output of food.





UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

NUTRITIONAL TRENDS AND THE CONSUMER'S FOOD

Talk by Ruth M. Leverton  
Office of Administrator  
at the 41st Annual Agricultural Outlook Conference  
Washington, D.C., 9:30 a.m., Tuesday, November 19, 1963

The consumer of today asks many questions about his food, particularly as it relates to his health. Communications of every sort have brought him to the point of recognizing that probably there is a relation between what he eats and what he is. He is not always completely convinced of this, and he often has some erroneous ideas about the relationship. Even so, he is not going to take the chance of ignoring any facet of his environment that might operate to his advantage.

The relation of any particular food to health may be important to the average consumer from both a positive and a negative point of view. Thus, he may see beefsteak as a highly flavorful food that contributes protein and many other essential nutrients. To him, this is a positive value. On the other hand, he may also see beefsteak as a source of saturated fat, which to him is a negative value. He knows many fragmentary facts about nutrition and food, but often too many of the facts are out of context. He may be concerned over the cholesterol content of a few individual foods but disregard the need for a diet that supplies enough of all nutrients. He may be concerned over getting enough of the polyunsaturated fatty acids in his diet but disregard the importance of not being overweight. He knows more than he understands and he is confused by such a plethora of facts.

The consumer of today chooses his diet from a national food supply that is adequate to meet the standards of our time for good nutrition--the NRC recommended allowances.

The nutritive value of this food supply has changed in several respects during recent decades.<sup>1/</sup>

Calories per capita have decreased from 3,530 in 1910 to 3,180 in 1962. The sources of some of the calories have changed also.

The percentage of calories from starches and sugars (carbohydrates) has decreased and from fats has increased. In 1910 these carbohydrates supplied 57 percent of the total calories but in 1962 only 47 percent. The percentage of calories supplied by fat increased from 32 percent in 1910 to 41 percent in 1962. The percentage of calories supplied by protein has stayed between 11 and 12 percent during this time.

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<sup>1/</sup> 1961 Supplement to Consumption of Food in the U.S., 1909-52, Agriculture Handbook No. 62, and for 1962, the July 1962 estimate.



Not only have the total calories and the percentage of calories from carbohydrate decreased in our diet but the kind of carbohydrate has changed markedly. In 1910, flour and cereals and potatoes supplied 44 percent of our calories, but in 1962 these same foods supplied only 24 percent. In contrast, sugar and sirups supplied only 11 percent of our calories in 1910 and 16 percent in 1962.

Expressed in terms of commonly used foods, the per capita daily consumption in 1910 averaged two potatoes, 13 ounces of flour and cereals, and about 4 ounces of sugar and sirups. In 1962 the figures averaged only 1 potato, 6 ounces of flour and cereals, and about 5 ounces of sugar and sirups.

During this same period the kinds of fats in the food supply shifted significantly along with the increase in the number and proportion of the total calories supplied by fats. In 1910, butter supplied 15 percent of the fat but by 1962 the percentage had dropped to 5 percent. Margarine had the reverse trend. It constituted only 1 percent of the total fat in 1910 but this rose to almost 6-1/2 percent in 1962. The proportion of the fat in the form of oil and salad dressings increased almost sevenfold--from 1.5 percent in 1910 to about 10 percent in 1962. This increase accounted for the large increase in linoleic acid, the polyunsaturated fatty acid that has been established as an essential nutrient. The estimated quantity of linoleic acid in the food supply was 11 grams per capita in 1910 and rose 55 percent, to 17 grams, in 1962. Meat, fish, and poultry supplied the same proportion of the total fat, about one-fourth, in 1910 as in 1962.

Enrichment and fortification of foods have added significantly to the nutritive value of the food supply for about two decades. The enrichment of flour and cereal adds about one-third more thiamine, one-fifth more iron and niacin, and one-tenth more riboflavin to the Nation's diet than would be available if these foods were not enriched.

There has been an upward trend in the fortification of additional food products with vitamins A and D and with ascorbic acid (vitamin C). Since 1957 the sale of vitamin A for addition to milk of all types has doubled, and the production of ascorbic acid sold for addition to fruit juices and drinks has tripled. Addition of vitamin A, including the synthetic vitamin A value of margarine, has increased the level of this nutrient in the Nation's food supply by 7 percent. (Addition to margarine alone increased the level by 6 percent.)

There are other nutritional trends that have implications today even though they cannot be quantified. These are the trends in the consumer's concern about his food and his health.

Recently there was established in Washington a Dial-A-Dietitian service. This is a telephone answering service under the direction of the District of Columbia Dietetic Association and the American Dietetic Association. The purpose of the program is to provide the public with a ready access to authoritative information on foods and nutrition, and to combat food fads with food facts. By dialing a well-publicized telephone number anyone in

the area may receive an answer to any question on normal nutrition, food composition, preparation, and management. The service does not include answers to questions about diet in medical conditions. The Dial-A-Dietitian project began in Detroit, Michigan, in 1958 and is operating successfully in eight cities throughout the country.

The questions most frequently asked about food and health indicate that consumers are concerned about fats and heart disease, whether they should use vitamin supplements, if the food they buy in the market is safe and wholesome, and how they can lose weight or keep from gaining weight. The remainder of this paper is devoted to considering these concerns and their implications.

There is no doubt about it, the consumer continues to be concerned about fat in his diet:

Dietary fat is in the limelight because the kind and amount of fat can affect obesity and elevated blood cholesterol--two measurable clinical conditions that are frequently associated with cardiovascular accidents. It is well known, however, that both weight and blood cholesterol are affected also by factors other than the fat and the polyunsaturated linoleic acid in the diet. Medical authorities agree that many factors are involved in the development of heart and circulatory abnormalities which lead to cardiovascular accidents. These include heredity, sex, age, blood pressure, hormones, emotional stress, and physical inactivity. It is likely that public attention has focused too much on dietary fat alone.

Much publicity has been given to the relation between cardiovascular disease in various countries and the proportion of calories coming from fat--especially from saturated fats which supply little, if any, linoleic acid. Little publicity has been given to the fact that there is also a relation between cardiovascular disease and the percentage of calories supplied by sugar, and an inverse relation to the percentage of calories supplied by grains and potatoes.

A study of the self-chosen diets of professional and business men between the ages of 45 and 55 has shown only slight differences in the food or nutrient intakes of the men with the highest and with the lowest serum cholesterol values.<sup>2/</sup> The diets of the men with high serum cholesterol levels supplied 11 grams of linoleic acid compared with 9.7 grams supplied by the diets of the men with the lowest serum cholesterol values. The greatest dietary difference was that the group with high cholesterol values had more calories (about 20 percent more) from rapidly absorbed simple sugars and from alcohol, and had fewer calories from the carbohydrates of grain products, vegetables, and dry beans and peas than the men with lower blood cholesterol values.

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<sup>2/</sup> Diet and Some Health Characteristics of 123 Business and Professional Men and Methods Used to Obtain the Dietary Information. Agricultural Research Service, U.S. Department of Agriculture, ARS 62-11, September 1962.

The consumer is concerned about the "nutritiousness" of his food:

A persistent campaign is being waged to undermine the confidence of the public in the nutritional value of our foods. Uncertainty or anxiety about food and health lead people in this country to spend over \$5 million annually for vitamin and mineral capsules, pills, and other food supplements. Dietary studies show repeatedly, however, that people do not always need greater amounts of vitamins and minerals or other nutrients than are supplied by their daily food intake. Also they often misjudge what they need in a vitamin or mineral supplement. In one recent survey of the diets of older people in Rochester<sup>3/</sup>, over one-third of the households used a vitamin-mineral preparation. Almost one-half of the people who were using a supplement had diets that met the NRC recommended allowances for all nutrients. The diets of the other one-half would have been improved in nutritive value by the right supplements. About one-fourth of these persons used supplements that provided none of the nutrients that were in short supply in their diets; and about half of them used preparations that provided only some but not all of the nutrients that were in short supply. The other one-fourth used preparations that supplied all of the nutrients needed to supplement the food intake.

The consumer is concerned about the wholesomeness of his food:

Our dependence on many persons in many places to produce, store, process, and partially or fully prepare our food places the consumer "a far piece" from the origin of his food. There are some consumers who view this separation with alarm and are fearful that procedures and materials may be used which will adversely affect the wholesomeness of food. They are particularly fearful of "chemicals." Unfortunately, to many persons the term "chemicals" always suggests something that is poisonous, dangerous, or at best unnatural. These people do not realize that all of the constituents of food are chemical substances--in fact, everything in our bodies is chemical, as is everything in our physical environment.

<sup>3/</sup> Source : The Nutritional Adequacy of Diets of Older People, Family Economics Review, Consumer and Food Economics Research Division, Agricultural Research Service, U.S. Department of Agriculture. June 1963.

We as consumers have high expectations for the food we buy. We demand a great deal of the persons and the processes that make it available to us. We expect agriculture and the food industries to put on the retail market an abundant supply of every kind of food that we want and need. We expect it to be of high nutritive value, desirable in color, flavor, and texture. We expect these qualities even if the food must be transported thousands of miles and stored for long periods in order to give us year-round use of seasonally produced foods. We expect it to be clean, unadulterated, and handled under sanitary conditions. We expect it to be appropriately packaged and labelled and marketed in convenient form, with much of the pre-service preparation already done for us. We expect to have an almost limitless variety of every kind of food, at any and every stage of preparation, available to us at any food market where we choose for our shopping during any hour of a ten- to twelve-hour day, on any day of a six- or seven-day week. In addition, we want all of these products and services for a price that we consider reasonable!

Foods and services in the market place today meet most of these expectations, and the right use of chemicals has helped to make this possible.

Many consumers need to be reassured of the wholesomeness of our food supply and the constant vigilance and research in progress to make it so. At the same time, they must understand the need for individual responsibility in following directions for using all products, such as pesticides or other agricultural and household chemicals, for handling every kind of food to preserve quality and flavor whether in the garden or in the kitchen.

The consumer is concerned about his weight:

Mass communication and his doctor have made the consumer aware of his weight, especially if he is overweight. Overweight is one of the greatest health problems in this prosperous country of ours. Several kinds of imbalances are responsible for overweight. The basic imbalance, of course, is between the amount of energy supplied by food intake and the amount needed for daily activity. Many popular foods have an imbalance--being high in energy value in relation to their other nutritive values. Some patterns of food selection include an undue proportion of these foods so that a person's energy requirement is met or exceeded without the other nutritional needs being met.

Also leading to overweight is the imbalance between our need for food and the number of ways and times that food is used in our way of daily life. When foods are used so frequently for chiefly social or psychological satisfactions, the amounts are usually excessive in relation to our ability to use the extra energy supplied. As a result, we gain weight.

For many consumers, especially children, there is an imbalance between the number of opportunities they have for making choices among foods and the amount of training and practice they have had in making good choices. The tremendous variety and availability of foods of high flavor appeal, the unprecedented high level of purchasing power among children, and the widespread permissiveness children have in making food choices mean that they have more opportunities than ever before for making poor food choices.



Inactivity is the most important factor explaining the frequency of "creeping" overweight. For hundreds of thousands of years, and even as recently as our pioneer grandparents, men had to be physically active to survive. They required large amounts of food to supply energy for every phase of their work. The present highly mechanized sedentary conditions of life have changed this drastically. Adaptation to modern life without development of obesity means either that a person must increase his activity or decrease the amount of food he eats. Increasing activity is not easy. Present conditions offer little inducement for adult activity, particularly walking, and facilities for sports such as swimming, bowling, golf, and tennis, are limited. Even among the young people we emphasize highly competitive sports for the few, at the expense of sports that involve everyone and sports that could be continued and enjoyed after the school years are over.

But if stepping up muscular activity to maintain normal weight seems difficult, we might remember that the alternative--constantly decreasing our food intake--may be much more difficult.

A feature of many of the questions coming to the Dial-A-Dietitian service is their specificity. The caller wants to know how one food compares with another in respect to a single vitamin or a certain mineral, or she wants to know if it is true that some certain difference (usually minute) exists between two foods. Usually if there are differences, the differences are of no nutritional significance in relation to selecting a well-balanced, varied, satisfying diet. This concern over detail, however, attests to the consumer's awareness of facts about food being greater than his understanding. It emphasizes the need for consumer-oriented food and nutrition information and programs within the context or framework that will best inform and reassure, and thus guide, the consumer.

#### Summary:

The challenge presented to us by the consumer and his concerns about his food is loud and clear--to help him understand all he knows, and to increase his opportunities for knowing all he can understand that will redound to his benefit.

The U.S. Department of Agriculture has always served the consumer by disseminating research-based information about its products, about the qualities that make them valuable and attractive, about methods by which these qualities may be conserved or enhanced, and how consumers can use these products to greatest advantage. Now these efforts must be expanded and accelerated to better serve all consumers everywhere.

President Kennedy emphasized the urgency for serving the consumer better by sending to Congress on March 15, 1962, a Special Message for Protecting Consumer Interest. He described the four rights of consumers as (1) the right to safety, (2) the right to be informed, (3) the right to choose, and (4) the right to be heard.

These then form the guidelines for professional persons such as you are here today in your local, community, and State programs for the years ahead.







UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

THE FOOD MARKETING OUTLOOK AND THE CONSUMER

Talk by Kenneth E. Ogren  
Director, Marketing Economics Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D.C., 9:55 A. M., Tuesday, November 19, 1963

The food marketing outlook for the consumer is excellent--both in the short-term and the longer-term. Food supplies are generally adequate, of good quality, and reasonably priced. 1/ There are no foreseeable shortages. The marketing system also has the potential to provide more and better services to the consumer.

This optimistic outlook of even greater expectations for the consumer in the future is a credit to the excellent performance of both the farmer and the marketer. The average worker on U.S. farms is now producing food and fiber for 29 persons. As recently as 1950, this figure was only 15. This amazing record of increasing farm output would, of course, have been impossible without the machinery, the fuel, the seed and fertilizers, the pesticides, and the vast array of other technology that came from the nonfarm economy.

Likewise, the good prospects for consumers would not be possible without an increasingly efficient marketing system. This is a marketing system marked by larger and fewer retail stores, and for the most part, larger and fewer processing plants, and generally more direct marketing channels from the farmer to the consumer.

There has been a striking increase in productivity of the marketing system. For example, in 1962 the volume of food moved through the marketing system was 32 percent higher than in 1950. But during this same period the number of workers in marketing firms increased only 11 percent. The productivity increase in marketing is not as dramatic as that on the farm, but it is substantial as illustrated in figure 1, which contrasts the increase in hourly earnings by food marketing workers--the top line--with the actual increase in labor costs per unit of food marketed.

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1/ My discussion and charts this morning are primarily about food, not only because more data are available for food products but because these products account for 80 to 90 percent of agriculture's returns from farm products sold to domestic civilian consumers. Also, a note on terminology. My use of "marketing" includes all processing, distribution, transportation and other services performed after sale of agricultural products by farmers. In other words, it is an "institutional" separation by agriculture and nonagricultural groups rather than on a strictly functional basis.

### Food Is a Bargain

The Department of Agriculture has cooperated with agricultural groups and food industries in promoting a slogan, "Food Is a Bargain." 2/ In the future, food should be even more of a bargain. The proportion of disposable income going for food has declined from a post-war high of 27 percent to 19 percent at the present time. This figure will decline still further. Another way of stating the same theme is that each hour of labor buys an increasing amount of food, to say nothing of the improvements in quality and added convenience.

Still another way of looking at this subject is to compare the prices of food with the prices of other consumer items in the past few years (fig. 2). The average price of farm foods in retail stores was 15 percent higher this year than in 1947-49, but this was a modest increase when compared with the average increase of 31 percent in all consumer goods and services in the same period, as measured by the BLS Consumer Price Index.

You will note from figure 2 that the most important factor in keeping retail prices of food at bargain prices was a decline in prices received by the farmer. In 1963, the farmer's return from a market basket of farm foods was 15 percent below the 1947-49 average, while the spread between farm and retail prices was up 44 percent.

If farm prices of food products had increased at the same rate as marketing spreads in the postwar periods, prices of food would have increased as fast or possibly faster than the other items bought by consumers. Lower farm prices were, in large part, the result of the abundant supplies of farm products and the consequent poorer bargaining position of the farmer in the marketplace. But, in part, they were a consequence of the general price picture in the economy since the war period. The cost of "services," which are an important part of food, has increased much faster than have the prices of raw materials and manufactured goods. To illustrate this, compare the increase in prices of meals away-from-home (with their larger bundle of services) with the price of food bought in grocery stores, an increase of 26 percent from 1953 to 1963 compared with 7 percent (fig. 3).

Thus far, I have been talking about averages. Averages often cover up significant differences. The average of all food prices has increased, but prices of some food products--for example, bread--have increased almost 60 percent (since 1947-49), while prices of other food products--poultry and eggs and fats and oils--have actually declined (fig. 4). Similarly, the spread between farm and retail prices has increased for most food products, but not for all food products (fig. 5).

In general, retail prices of foods for which marketing services are the larger proportion have increased by the largest amount. In looking at the trend in bread prices, note that the price of wheat has little effect or seemingly little relationship to the price of bread (fig. 6). If the price of wheat were suddenly to increase by \$1.00 a bushel, that increase would not

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2/ Marketing Bulletin 18, "Food Is a Bargain."

raise by much more than 1 cent the cost of wheat represented in a pound loaf of white bread. And conversely, if wheat prices were to drop by a large amount, it would likely have little effect on the price consumers pay for bread. But suppose that the baking industry found it possible to reduce their costs of baking and distributing bread by 3 or 4 cents a loaf. This would have more impact on the consumer's food budget than if the farmer started giving his wheat away.

Contrast the bread situation with that of frying chickens (fig. 7). Large price declines in farmers' prices of chickens have made possible a drop of 17 cents in retail prices since 1950. Farmers are not getting large returns for growing chickens, but they can produce them at much lower costs than in 1950. Similarly, efficiency in processing and distributing poultry has perhaps increased as much as any other food product, so the spread between the farm and retail price has been constant at about 20 cents (on a retail pound equivalent). This has meant that the entire decrease in farmers' prices could be reflected in lower prices to consumers.

#### The Marketing Outlook to 1968

Now, let's discuss the marketing outlook in more specific terms. These trends seem probable:

1. Services performed by the marketing system in getting products from the farm to the consumer in the time, form, and place desired will increase relative to services performed by farmers in producing the raw materials needed.
2. The number of workers employed in the processing and distribution of farm products as well as the total resources used by marketing firms will increase relative to workers and resources in agriculture (fig. 8).
3. Marketing costs will make up an increasing share of the consumer's dollar; that is, the farmer's share of consumer expenditures will continue to decline but possibly at a less rapid rate than in the last decade.

These are perhaps not startling or surprising revelations. In fact, several years ago from this same platform I made similar statements with respect to the longer-term outlook for marketing costs. <sup>3/</sup> Since these projections were confirmed by history, this is no doubt proof that no great foresight was needed.

My primary concern this morning is a discussion of the marketing outlook with these propositions as a background, with emphasis on what this marketing outlook means to the consumer.

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<sup>3/</sup> Kenneth E. Ogren, "Trends in Marketing Costs and Practices - The Longer Term Outlook," 34th Annual Agricultural Outlook Conference, Washington, D.C., November 27, 1956.

First, a few statements about prospective changes in marketing. Workers in marketing firms are likely to increase somewhat, but at a reduced rate when compared with the 1950's. Productivity gains in marketing have been markedly greater since the mid-1950's than they were in the immediate postwar period (fig. 1). The increase in the rate of productivity reflects the cumulative effect of gains in technology through research and from capital expenditures by marketing firms.

More marketing services for consumers--on a per person basis as well as in total--are probable. Population growth is the most important single factor in increasing total services. Three developments brought large net additions to average services per person required from the marketing system in the 1940's and 1950's. These were:

1. The nonfarm population increased at a much faster rate than the total population because the number of people living on farms actually declined, from 30.5 million in 1940 to 14.3 million in 1962 (fig. 9).
2. With increased specialization in production and higher farm incomes, farmers bought a rising proportion of their food supply and depended less on home production.
3. More people ate more meals in restaurants and other away-from-home eating places.

The impact of the first two will continue in the future but with less effect. In part, it's plain arithmetic--our farm population cannot decline as fast as in the past two decades and have anyone left on the farm. Thus, the most important of the three factors in increasing services required from the marketing system per person will be the likely continued trend in away-from-home eating, especially in a growing economy with increasing real incomes and more employment opportunities away-from-home.

What about built-in maid services? Built-in maid services in the so-called convenience foods have without doubt added to the total services provided to the consumer by the marketing system. The measurement of these services, however, is much more difficult than the other factors I have discussed. To some observers, so-called convenience foods are the principal cause of widening farm-retail spreads. Our research, however, does not confirm this. Often convenience foods actually bring reductions in costs because of economies in the marketing process. One of the most spectacular and enduring examples is frozen concentrated orange juice. Depending on the season and the year, orange juice made from frozen concentrated orange juice may cost only half as much as that made from fresh oranges. Prices for the concentrate are lower because processing costs are more than offset by lower transportation and retailing charges for frozen concentrate than for fresh oranges. <sup>4/</sup>

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<sup>4/</sup> "The Impact of Technological Change on Marketing Costs and Grower's Returns--Case Studies for Potatoes, Snap Beans, Oranges, Lemons," U.S. Dept. Agr., Mktg. Res. Rpt. 573, 1962.



There are more of the "newer" convenience foods that cost more per serving than their home-prepared counterparts. But, because consumers are value conscious and purchase more of the relatively low cost foods, the convenience foods they buy do not, on the average, increase their food bill. 5/ As you would expect, the pattern of purchasing differs greatly among consumers. For some homemakers, especially those employed away-from-home, time saving may be an important factor in the acceptance of convenience foods so that the value of convenience may offset some of the added costs.

The Department also studied quality differences between the fresh and home-prepared counterparts and found important differences in quality among convenience food items. As among all products, some are poor, others excellent. Nevertheless, many processed foods now on the market are so well prepared and excellent in flavor that they are used, enjoyed, and even recommended by gourmets. The outlook for the growth of convenience foods thus depends partly on the ingenuity of the food industry in satisfying the consumer's demand for value, convenience, and quality, and in part on income levels. 6/

Some analysts maintain that the consumer, in many instances is receiving fewer services than formerly. Some clear examples are less frequent delivery of milk and less home delivery by grocery stores and credit service. However, other services which we often take for granted were unknown in earlier days. I, myself, cannot be convinced that the modern, attractive, well-lighted self-service supermarket provides less overall service than the small clerk-service grocery store that many of us remember from the 1930's and earlier. Surely there are conveniences to having all foods under one roof with ample parking space and other services available. If you have talked recently with a homemaker who has spent some time in a foreign country where she was forced to shop almost daily in half a dozen different shops, she probably told you that she welcomed the opportunity to do her shopping again in a large, clean, orderly, well-lighted self-service store. Grading, inspection, sanitation, sorting, packaging, year-round availability, and a vast array of items for selection are services generally on the increase but impossible to measure statistically.

With respect to prices, the ERS study of projections for 1968 suggests little change in the overall prices to agriculture. 7/ These projections

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5/ For a further discussion of a study of convenience foods, see "Comparative Costs to Consumers of Convenience Foods and Home-Prepared Foods," U.S.Dept. Agr., Mktg. Res. Rpt. 609, June 1963.

6/ For discussion of new product developments, see "Markets and New Products" Outlook talk by Philip B. Dvoskin.

7/ For discussion of 1968 projections see outlook talk by Rex Daly "A Profile of Agriculture Projected to 1968. Details on next year's outlook in prices and surplus are given in the outlook talk "Outlook For Food Consumption and Prices" by Stephen J. Hiemstra.



assume a generally stable price level and rising real incomes. With this situation, upward pressures on marketing spreads are likely to prevail. In any particular period, a uniform price movement with respect to all groups or items in the economy is not likely. It seems probable that services will continue to have the greatest pressure on the overall price level in the next 5 years. Services, as opposed to production or physical processing of food materials, are an important part of marketing spreads, especially if we assume an increase in the proportion of food eaten away-from-home. Thus, it seems likely that the greatest upward pressure on retail prices will be for those food products in which the marketing spreads make up the largest part of the retail price. Also, with the prospect of adequate supplies of most animal products (for which the farmer's share is relatively large) there likely will be less pressure on retail prices of those products.

What this adds up to is a continued modest increase in dollars spent by consumers for food on a per person basis, not because consumers are buying more food but because they likely will buy more services and proportionately more of the higher priced foods. Even so, expenditures for food will not rise by the same rate as incomes, so the proportion of income going for food will continue to decline but perhaps at a slower rate.

The proportion of consumer expenditures for food going for marketing will continue to increase. In 1962, consumers paid about \$64 billion for domestic farm food products, of which about \$21 billion went to farmers and \$43 billion for marketing. Of the \$16 billion increase in these expenditures between 1953 and 1962, \$2.3 billion went to farmers and \$13.7 billion went to the marketing system. By 1968 total consumer expenditures are likely to increase in the range of \$10-12 billion from 1962, of which all but about \$2 or 3 billion will go for additional services in marketing (fig. 10). Another way of stating this relationship is that in an economy with rising real incomes, the quantity of marketing services will rise more over time than the consumption of farm food products.

### Implications to Consumers

Thus far I have talked primarily about what the marketing system and the farmers are providing and will provide in the future to consumers. I have depicted a promising future. Lest I sound too much like a Pollyanna, let me introduce some words of caution. The outlook for the longer-term future suggests that trends in "real" prices of food may at times be less favorable to consumers than in the last decade. In part, this is because much of the drop in "real" prices of food at retail since 1951 has been at the expense of lower prices to farmers (fig. 2).

Let us step back a bit into history. From 1940 to the immediate post-World War II period, retail food prices and especially the farm component of food prices increased sharply, but retail food prices and especially farm prices were at relatively low levels just before World War II. In the immediate post-war period, farm prices and incomes were at record levels and net profits to food processors and retailers also were at much higher levels

than pre-World War II. Since then, practically all the developments in food production and marketing could be said to be to the consumer's advantage.

Productivity increases have not resulted either in higher incomes to farmers or generally higher profits to industry, at least not per dollar of sales or investment. A considerable part of the increase in productivity of farm workers has come about because the least efficient workers in agriculture have moved out. The same can be said to be true in marketing though to a somewhat lesser degree. There has been a sharp decline in the number of retail food stores which has meant that many people with small operations are no longer in business. These are some of the "costs" of economic progress and increases in productivity that have been good for the consumer.

These same pressures still exist for the most part in both agriculture and marketing. Farmers are in the position of being in a weak bargaining position with more supplies than the market needs or can absorb at reasonable prices. Farmers also face increasing concentration among their buyers. So far it seems evident that intensified competition among marketing firms has kept profit margins relatively low with gains from increased efficiency largely accruing to consumers. Whether this will continue in the future is a question difficult to answer.

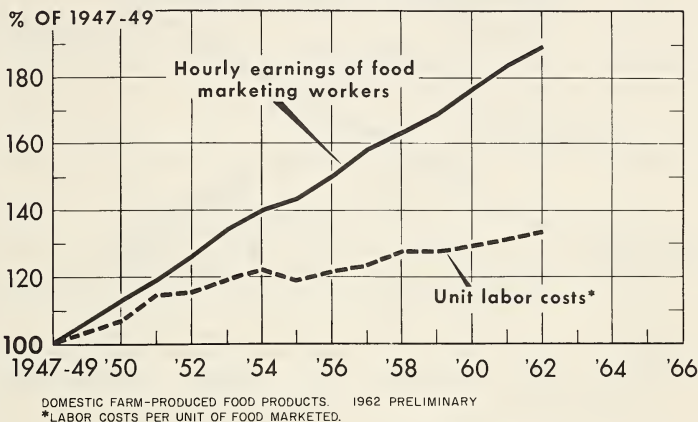
A growing number of large, new supermarkets together with discount food stores suggests a continuing pressure on the retail side; in turn, large retail buying organizations suggest continuing pressures on processors and other sellers. In many areas the number of supermarkets has been growing faster than population. Over-storing may reduce efficiency if volume per store is reduced markedly; hence it also may increase pressures for types of nonprice competition not necessarily preferred by consumers. Advertising and promotion are a growing part of the food bill, now totaling around \$2½ billion according to trade estimates. Trading stamps, if universally adopted in a shopping area may add more to the consumer's food bill than can be offset by value of merchandise redeemed with stamp books. Intense competition also may lead to an excessive proliferation of brands, package sizes, and special deals that may be confusing to the shopper and represent additional costs to consumers. But do we really know what is optimum from the consumer's standpoint?

In a sense, the food system as a whole will perform as efficiently as the consumer wants it to and, in effect, forces it to. The consumer is not a passive force in the market. It's the consumer's choices in the retail food store that signal to marketers and hence indirectly to farmers what consumer preferences are in terms of quality, convenience, and price. The products now on grocery shelves were not necessarily put there by consumers' choice, but it is their choice that keeps them there.

In a sense, the farmer and marketer exist solely to serve the consumer. But jobs and incomes for millions of workers and investors also are a critical part of our food system. The responsibilities of the farmer and marketer to consumers can be realized best in the longer-term future if adequate incomes and returns are forthcoming to the entire food industry.

This morning I have talked largely in terms of national averages. But there is no average consumer; neither is there an average farmer or marketer. Marketers and farmers need to understand their spectrum of customers and their individual wants and desires. Likewise, our food industry can operate best if its customers understand it and some of its problems better.

## FOOD MARKETING LABOR COSTS AND HOURLY EARNINGS

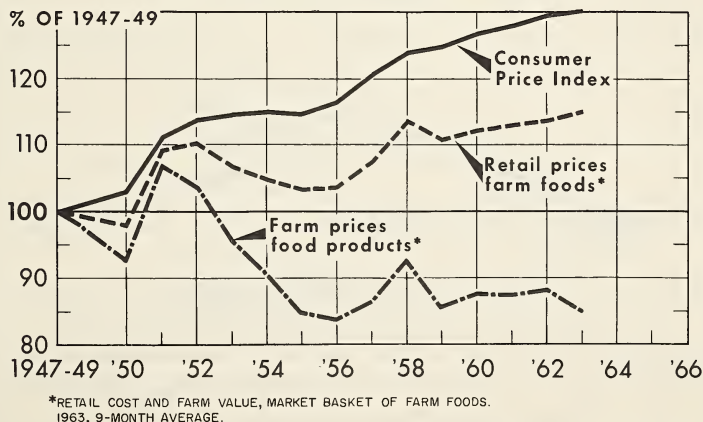


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Figure 1

## FOOD PRICES AND CONSUMER PRICE INDEX



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Figure 2

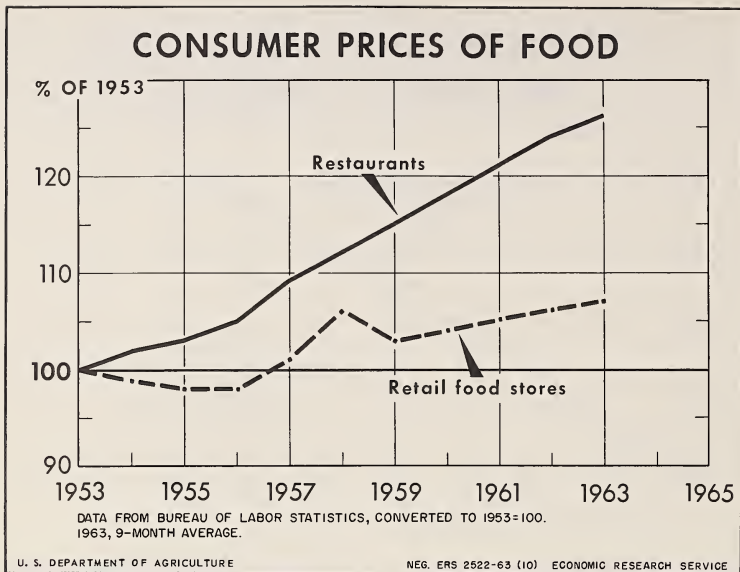


Figure 3

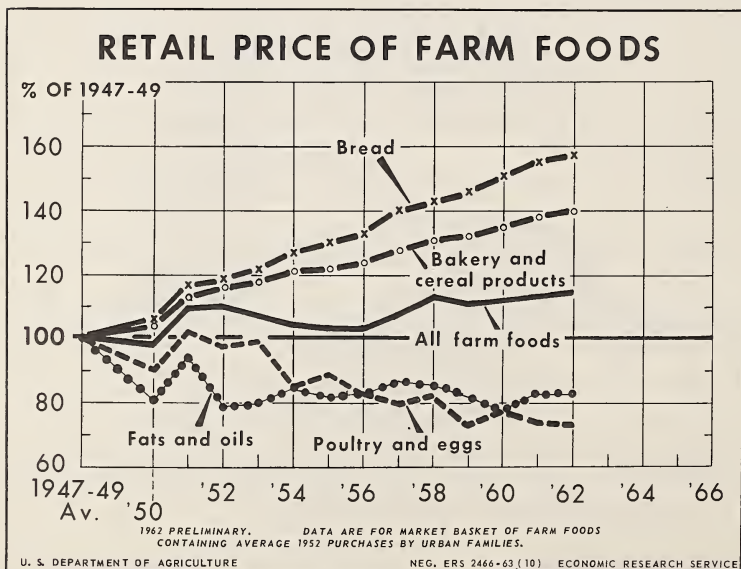
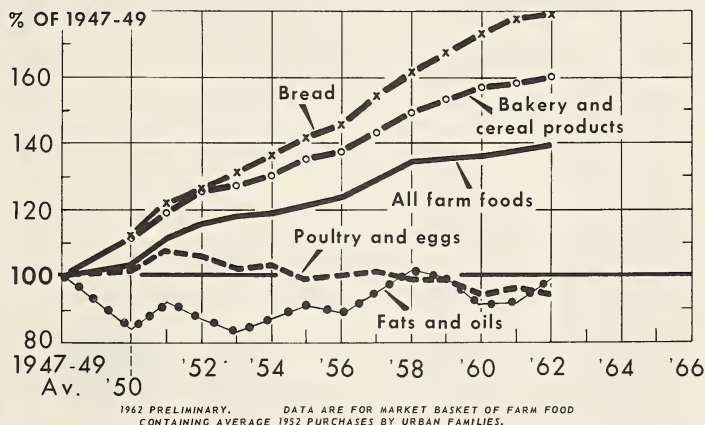


Figure 4

## MARKETING SPREAD FOR FARM FOOD PRODUCTS



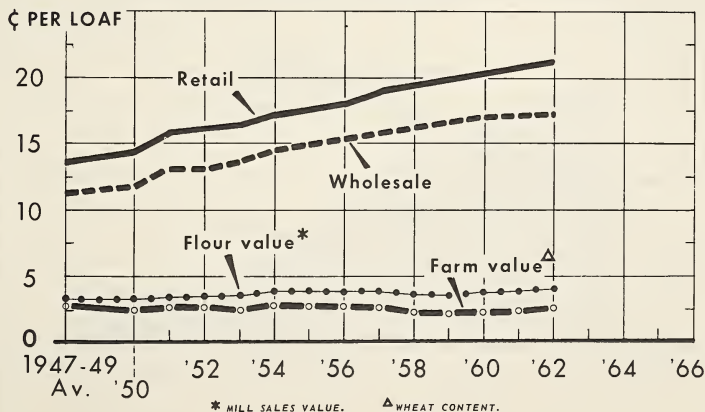
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Figure 5

## WHITE BREAD PRICES

U. S. Average



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Figure 6



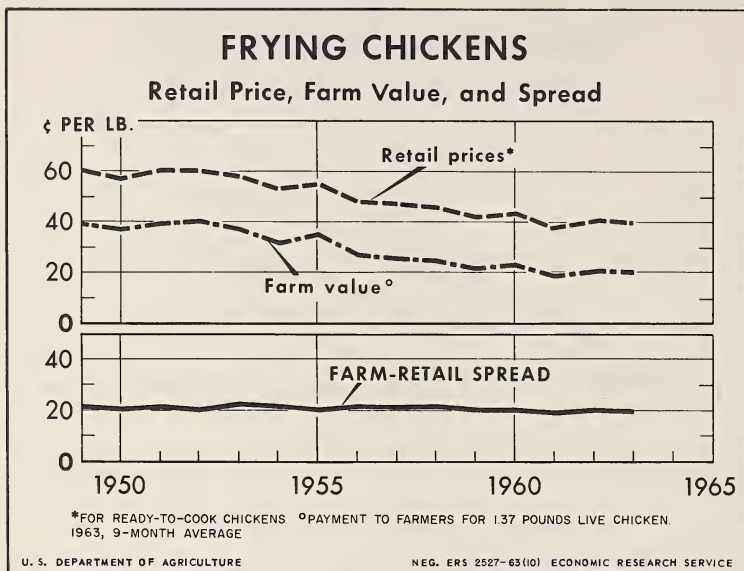


Figure 7

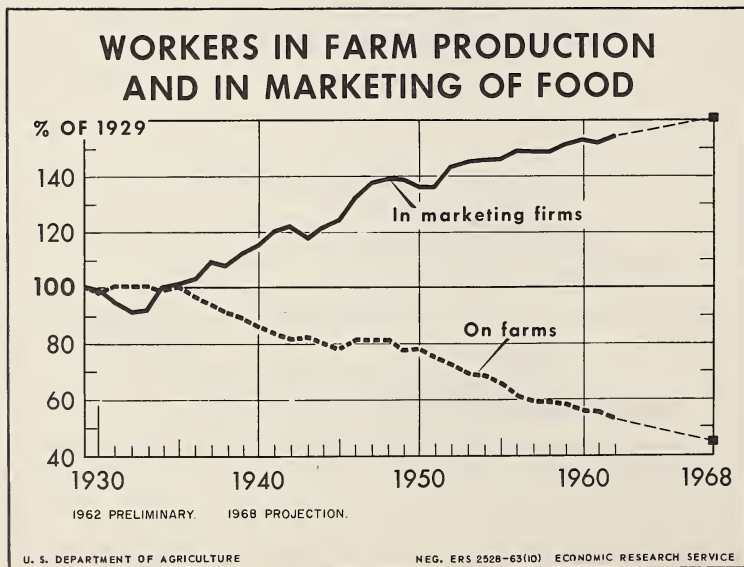


Figure 8

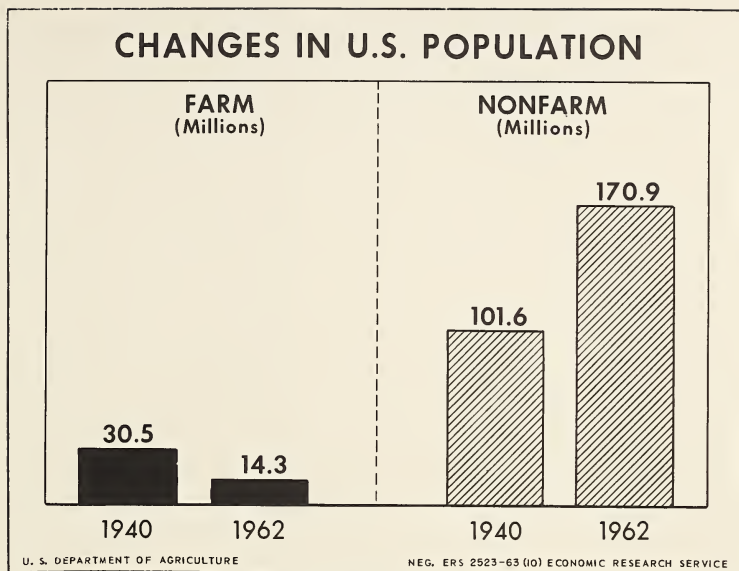


Figure 9

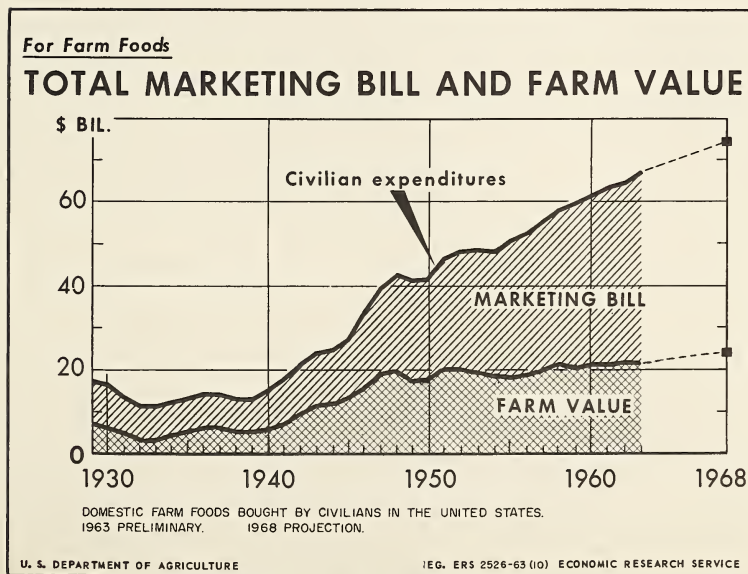


Figure 10







## CHANGING PATTERNS OF CONSUMER EXPENDITURES

Talk by Laura Mae Webb 1/  
Bureau of Labor Statistics  
at the 41st Annual Agricultural Outlook Conference  
Washington, D.C., 10:20 A.M., Tuesday, November 19, 1963

## Introduction

Information on changes in family spending patterns provides important indicators of families' levels of living and future demand for consumer goods. Home economists and others concerned with family well-being need to know what these current trends are.

Data will soon be available that will give us information on 1961 spending patterns of families classified by their place of residence--urban, rural nonfarm, farm--by geographic area, and by important socio-economic characteristics of these families. 2/ The Department of Agriculture and the Bureau of Labor Statistics cooperated in a nationwide survey to collect these data. This was the first time since 1941 that a national study of consumer expenditures of all three population groups had been made for the same period of time. Data were collected by USDA from a national sample of farm-operator families covering 1955 and by BLS from a national sample of urban families for 1950; similar data from rural non-farm families had not been collected since 1941.

Tabulation of the 1961 expenditure data has not been completed, but the BLS has completed tabulation of data relating to 1960 covering one-half its national urban sample. A preliminary summary of these data indicates that there were some rather substantial changes in urban families' spending patterns between 1950 and 1960.

Predicting changes that have occurred in farm family spending patterns in recent years on the basis of urban patterns is hazardous. Nevertheless, by examining other data that give us some insight into farm family living, along with information on urban family spending patterns, we do have a number of clues as to how farm family spending patterns may have changed between 1955 and 1961. 3/

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1/ Until July 1963, Chief, Family Economics Branch, Consumer and Food Economics Research Division, ARS, USDA.

2/ The term "family" is used throughout this paper to include single persons as well as families of two or more persons.

3/ The 1955 survey covered farm-operator families only; the 1961 survey covered all persons living on farms. Farm-operator families constituted about 80 percent of the farm population in 1961. USDA family economists do not expect that this difference in the population coverage will affect substantially the comparability of the data.



## Changes in Urban Family Spending Patterns, 1950-1960

The decade 1950-1960 was a period of rising personal incomes to urban families. Average money incomes, after personal taxes, of urban families increased from \$3,910 in 1950 to \$5,822 in 1960, or 49 percent, while expenditures for goods and services for current consumption increased from \$3,808 to \$5,365, or 41 percent. But during this period prices for goods and services purchased by urban families, as measured by the Consumer Price Index, advanced 23.5 percent; so for their higher expenditures, urban consumers acquired only about 14 percent more goods and services in 1960 than in 1950. 4/

The average urban family spent a greater number of dollars for each major type of goods and services in 1960 than in the earlier year. A comparison of the share of the family dollar taken by the various categories indicates, however, that there were changes in the relative amounts spent for the different categories in the two periods. Food, clothing, housefurnishings and equipment, and recreation accounted for a smaller share of urban family expenditures in 1960 than in 1950; shelter, fuel and utilities, other household operation, medical and personal care, education, and transportation took a larger share. 5/

Although urban families spent more for food, both at home and away from home, in 1960 than in 1950, food accounted for only 24.4 percent of total expenditures for current consumption in 1960, as compared with 29.7 percent in 1950. In terms of constant dollars urban families spent slightly less for food in 1960 than in 1950. This does not mean that they ate less than in 1950. While urban food prices, on the average, increased nearly 19 percent during the period, there was considerable variation in price change by type of food. By deflating the average family's total 1960 food expenditures by the composite food price index, weighted by 1950 expenditure patterns, we have assumed that urban families purchased the same types and quantities of food in 1960 as in 1950. However, we know from USDA per capita food consumption data that the average U.S. family did change its food consumption pattern considerably during this period. 6/ For example, per capita consumption of meat, poultry and fish increased approximately 15 percent; urban retail prices for this category increased only about 4 percent. On the other hand, urban prices for flour and cereal products increased nearly 31 percent, while U.S. per capita consumption

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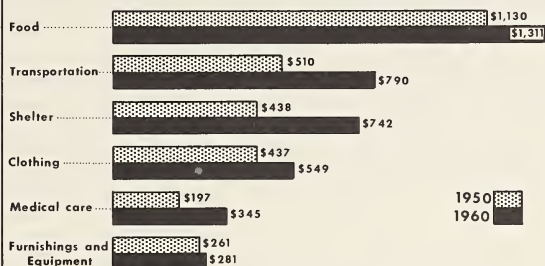
4/ Changing Patterns of Consumer Expenditures, 1950-1960, a paper presented by Arnold E. Chase, Bureau of Labor Statistics, at the annual meeting of the American Statistical Association, in Cleveland, Ohio, September 4, 1963.

5/ See tables 1 and 2.

6/ "Approximate consumption of food per capita, retail weight equivalent, by major food groups," Table 796, Agricultural Statistics, 1962, p. 675.

## EXPENDITURES FOR CURRENT CONSUMPTION

*Urban Families, 1950 and 1960*



SELECTED CATEGORIES.

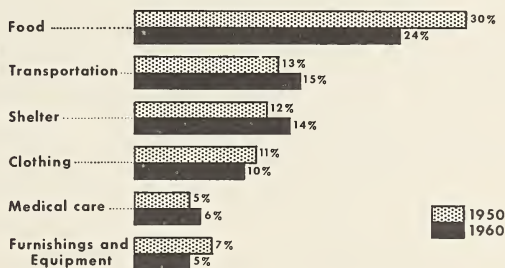
B. L. S. DATA; 1960 DATA PRELIMINARY.

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## DISTRIBUTION OF EXPENDITURES

*Urban Families, 1950 and 1960*



SELECTED CATEGORIES.

B. L. S. DATA; 1960 DATA PRELIMINARY.

U. S. DEPARTMENT OF AGRICULTURE

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declined 13 percent. In addition to changes in food consumption patterns, changes in retail marketing patterns may have contributed to the decline in expenditures for food prepared at home. During the 1950's, there was an increase in the proportion of food purchased in larger self-service stores; any savings that accrued to the urban family by shifting its purchases to such stores would be reflected in its 1960 expenditures but not in the price index.

The decline in the proportion of the family living dollar used for meals and snacks away from home is rather surprising in view of higher real incomes. Perhaps the increased availability of convenience foods and the relatively greater increase in prices for meals away from home than for food prepared at home have been contributing factors. Too, the expansion of the school lunch program and special luncheon provisions by employers of industrial workers probably have helped hold down expenditures for many families.

Relatively moderate increases in clothing prices, the substitution of less expensive synthetic fibers for natural fibers, and the increased use of mix and match outfits are believed to be among the important factors accounting for a decline in the portion of the family living dollar going to clothing.

Among the housing items, only housefurnishings and equipment took a smaller share of the dollar in 1960 than in 1950. Part of the decline may be attributed to the fact that the volume of purchases of these items was relatively high in 1950; there was still some pent-up demand from the World War II period and scare buying had been occasioned by the Korean outbreak. Expenditures for equipment by many families buying new homes in 1960 were included in the purchase price of the home as a result of increasing trend toward builder installation of equipment. Lower prices also contributed to purchases of equipment taking a smaller share of the dollar; families who purchased appliances from retail outlets in 1960 found prices about 15 percent lower than in 1950, according to the Consumer Price Index.

A decline in the proportion of total expenditures reported for recreation seems incongruous with higher incomes and the trend toward longer paid vacations for industrial workers. However, many of the family's expenditures for vacation and other activities of a recreational nature that have been gaining in importance in recent years are classified in the survey data under categories other than recreation. For example, automobile expenses incurred while on vacation as well as those incurred for pleasure purposes throughout the year are classified as "transportation expenses." Expenditures for the beach cottage, the mountain cabin, or the hotel room while on vacation are classified as "shelter expenses," while the costs of vacation meals appear under "meals away from home." On the other hand, outlays for movie admissions--an important recreational expense for many families in earlier periods--declined between 1950 and 1960, according to Department of Commerce data.

The increase in homeownership by urban families between 1950 and 1960 is reflected in the larger share of expenditures for owned dwelling in the latter period. The increase in the share of expenditures for utilities and other household operation is probably accounted for in part by this shift. Many urban rentals include heat, utilities, and costs of maintenance and repairs; expenditures for these items by home owners would be reported under the specific categories.

The rather substantial increase in expenditures for automobile purchase and operation reflects in part the greater number of families owning automobiles in the latter period and the greater use of the automobile. In 1960, 72 percent of the survey respondents owned an automobile compared with 59 percent in the earlier survey. The increase in the proportion of expenditures for automobile purchase and operation was accompanied by a very slight decrease in the proportion of expenditures for public transportation.

Medical care accounted for 6.4 percent of urban families' expenditures in 1960 compared with 5.2 percent in 1950; personal care expenditures increased from 2.2 percent in 1950 to 2.9 percent in 1960.

#### Probable Changes in Farm-Family Spending Patterns, 1955-1961

A comparison of 1961 farm family spending patterns with those of the 1955 survey will represent changes over a six-year period; differences between the two sets of farm data, then, will probably be less marked than those of the urban data that reflected changes over a 10-year period.

The previous survey showed that farm family expenditure patterns were more similar to urban patterns in 1955 than in 1941 <sup>7/</sup>; we expect that even greater similarity will be indicated by the 1961 data. A number of factors are contributing to this trend. Farm families are now more closely associated with urban families at work, at school, and at play than in earlier years. The proportion of farm residents in off-farm jobs has increased; in 1959, 30 percent of the farm operators worked more than 100 days off the farm and 27 percent of the farm wives were in labor force. Fewer farm children are in isolated rural schools and older children are remaining in school longer. With this closer association of rural and urban families comes greater similarity of manner of living and dress and a lessening of differences in their expenditures of a personal nature. And differences in the urban and farm home have diminished considerably; thus expenditures for the home are more similar.

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<sup>7/</sup> Farm Family Spending in the United States, AIB No. 192, USDA, 1958.

Relative to changes in expenditures for the individual categories of family living, farm family expenses for automobile purchase and maintenance were probably considerably higher in 1961 than in 1955. Both increased ownership of automobiles and the greater use of the car contributed to this. Seventy-four percent of the farm-operator families included in the 1955 survey had an automobile. In 1960, according to the Census Bureau, 88 percent of the farm households had a car; slightly more than one-fourth of these had two or more. A second car may be essential to the farm family whose wife takes a job; in any event, off-farm employment of either husband or wife is likely to increase the family's automobile expense. Vacation trips are becoming more a part of farm family living; these usually add to automobile expense.

Farm family money expenditures for food in constant dollars may not have shown a decline as did the average urban family's because the indications are that home-production of food is continuing to decline on farms; consequently, farm families are probably spending a larger proportion of their family living dollar for food. About 40 percent of the retail value of the food consumed by farm-operator families included in the 1955 national food consumption survey was home produced; home-produced food represented 57 percent of the retail value of food consumed by respondents in the 1941 survey. A little more than three-fourths of the value of this 1955 home-produced food was accounted for by meat, poultry, eggs, and milk. USDA data show a rather substantial decline between 1955 and 1961 in the number of meat animals and poultry slaughtered for farm household consumption per farm family and in the volume of milk and value of eggs produced and consumed on farms.

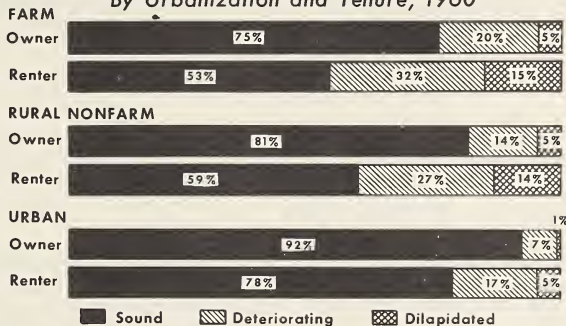
We expect that farm family expenditures for housing took a larger share of the dollar in 1961, reflecting the improvements families have been making in their housing in recent years. The number of loans made by Farmers Home Administration for rural housing slightly more than tripled between fiscal year 1954 and fiscal year 1961 and their value increased from about \$16 million to nearly \$69 million. The need for improvement in rural farm housing was indicated by 1960 Census data that classified 25 percent of the owner-occupied farm housing units as deteriorating or dilapidated compared with 8 percent of the owner-occupied urban housing units; 47 percent of the renter-occupied farm units were classified as deteriorating or dilapidated compared with 22 percent of the urban renter-occupied units.

Like the urban family, the average farm family probably spent a smaller share of its family living dollar for furnishings and equipment. Most farm homes had the major items of household electrical equipment by 1961, so expenditures in that year represented replacements for the most part, rather than the larger outlays required for the acquisition of initial inventories.



## CONDITION OF HOUSING

*By Urbanization and Tenure, 1960*



OCCUPIED UNITS.

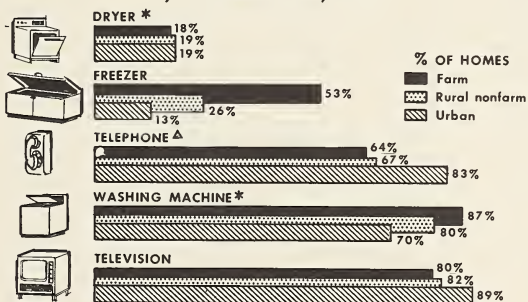
CENSUS BUREAU DATA.

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## EQUIPMENT IN HOMES

*By Urbanization, 1960*



\* INCLUDES WASHER-DRYER COMBINATIONS.

Δ AVAILABLE.

CENSUS BUREAU DATA.

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Several factors indicate that farm families devoted a larger share of their expenditures to medical care in 1961 than in earlier years. They were visiting the doctor, the dentist, and getting hospital care, more frequently; charges for these services rose more sharply during the 1950's than did those for other consumer goods and services. In addition, the rural population was increasing its participation in hospitalization and other medical insurance plans.

#### Outlook for Rural Family Spending

If trends of the last decade continue, we expect to see rural family spending patterns become even more like those of urban families than they are now. The proportion of expenditures devoted to shelter, transportation, medical care, and education will likely increase; the proportion devoted to furnishings and equipment, clothing, and perhaps food, will decrease.

The value of rural housing loans made by the Farmers Home Administration in fiscal 1963 was slightly more than two and one-half times that of 1961. Transportation expenses will continue to increase as more off-farm jobs become available to the rural population. More farm children are planning to attend college; the current trend of higher tuition charges by both public and private colleges is expected to continue.

Table 1.--Expenditures of Urban Families for Current Consumption  
1950 and 1960

Item	Expenditures			Percent Change 1950 to 1960	
	1950		1960 2/	Current Dollars 1/	1960 Dollars 2/
	Current Dollars	1960 Dollars 1/			
<b>Total</b> .....	<b>\$3,808</b>	<b>\$4,701</b>	<b>\$5,365</b>	<b>40.9</b>	<b>14.1</b>
Food, total .....	1,130	1,340	1,311	16.0	-2.2
Prepared at home .....	915	1,057	1,036	13.2	-2.0
Away from home .....	216	283	274	26.9	-3.2
Tobacco .....	68	91	96	41.2	5.5
Alcoholic beverages .....	65	71	94	44.6	32.4
Housing, total .....	1,035	1,302	1,587	53.3	21.9
Shelter .....	438	591	742	69.4	25.5
Rented dwelling .....	228	297	327	43.4	10.1
Owned dwelling .....	186	263	379	103.8	44.1
Other shelter .....	24	31	36	50.0	16.1
Fuel, light, refrigeration, etc. ....	158	198	239	51.3	20.7
Household operation .....	178	242	319	79.2	31.8
Furnishings and equipment .....	261	271	281	7.7	3.7
Clothing, materials and services ..	437	494	549	25.6	11.1
Personal care .....	85	112	153	80.0	36.6
Services .....	38	55	70	84.2	27.3
Supplies .....	47	57	83	72.9	45.6
Medical care .....	197	285	345	75.1	21.1
Recreation .....	168	197	214	27.4	8.6
Reading .....	35	49	50	42.9	2.0
Education .....	23	27	61	165.2	125.9
Transportation .....	510	664	790	54.9	19.0
Automobile purchase and operation	443	553	696	57.1	25.9
Other travel and transportation .	67	111	93	38.8	-16.2
Other expenditures .....	55	69	118	114.5	71.0

1/ Current dollars deflated usually by a component of the Consumer Price Index.

2/ 1960 data are preliminary.

Source: Bureau of Labor Statistics

Table 2.--Distribution of Expenditures of Urban Families  
for Current Consumption, 1950 and 1960

Item	Percent of total expenditures for current consumption			Deflators (gen- erally based on Consumer Price Indexes, 1950=100)
	1950		1960 1/	
	Current Dollars	1960 Dollars		
Total .....	100.0	100.0	100.0	123.5
Food, total .....	29.7	28.5	24.4	118.6
Prepared at home .....	24.0	22.5	19.3	115.5
Away from home .....	5.7	6.0	5.1	131.2
Tobacco .....	1.8	1.9	1.8	133.9
Alcoholic beverages .....	1.7	1.5	1.8	108.7 a/
Housing, total .....	27.2	27.7	29.6	125.8
Shelter .....	11.5	12.6	13.8	134.9
Rented dwelling .....	6.0	6.3	6.1	130.3
Owned dwelling .....	4.9	5.6	7.1	141.3
Other shelter .....	.6	.7	.7	130.3
Fuel, light, refrigeration, etc. ....	4.1	4.2	4.5	125.2
Household operation .....	4.7	5.1	5.9	135.8
Furnishings and equipment ....	6.9	5.8	5.2	103.9
Clothing, materials, and services .....	11.5	10.5	10.2	113.0
Personal care .....	2.2	2.4	2.9	131.8
Services .....	1.0	1.2	1.3	144.7
Supplies .....	1.2	1.2	1.6	118.8
Medical care .....	5.2	6.1	6.4	144.7
Recreation .....	4.4	4.2	4.0	117.5
Reading .....	.9	1.0	.9	141.4
Education .....	.6	.6	1.1	117.5
Transportation .....	13.4	14.1	14.7	130.2
Automobile purchase and operation .....	11.6	11.8	13.0	124.9
Other travel and transportation .....	1.8	2.3	1.7	165.6
Other expenditures .....	1.4	1.5	2.2	125.7

a/ 1953=100

1/ 1960 data are preliminary

Source: Bureau of Labor Statistics





A   P R O F I L E   O F   A G R I C U L T U R E  
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U. S. Department of Agriculture  
Economic Research Service  
November 1963





UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

A PROFILE OF AGRICULTURE PROJECTED TO 1968

Talk by Rex F. Daly  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 2:30 P.M., Tuesday November 19, 1963

The research on which this talk is based was prepared under the general direction of the ERS Committee on Economic Projections: R. F. Daly (Chairman), G. T. Barton, R. E. Olson, Q. M. West, M. M. Regan, and R. H. Masucci. Alvin C. Egbert, Head Long-run Projections Section, ESA, assisted by D. D. Durost, FPED; L. R. Brown, RAD; and J. D. Ahalt, ESA carried the major responsibility for analyzing the projections and drafting the preliminary report. The research also reflects the work of many other staff members from each Division of ERS, including the commodity specialists participating in this Conference.

The story of the postwar technological revolution in U. S. agriculture has been told repeatedly. Although we need not dwell on this story of abundance, a little background will give us some perspective.

In general, markets for U. S. farm products continued to grow following adjustments from swollen demands associated with World War II and the Korean conflict. In the past decade, however, the rise in domestic markets has been only slightly more than population growth even though farm product prices declined about 8 percent and the per capita buying power of consumers increased almost a fifth. Total domestic food use of farm products increased about 2.0 percent per year; nonfood uses rose less than 1.0 percent per year. These rates add to an average annual increase of 1.8 percent in total domestic use of farm products compared with an annual population growth of about 1.7 percent. Exports have risen sharply in the past decade and this year will reach a new high, possibly about double the volume exported in 1952-54. Total utilization--domestic use and exports--has increased at an annual rate of about 2.4 percent.

On the other hand, various crop adjustment programs have limited the rise in farm output over the 10 years ending in 1963 to around 18 to 19 percent--an annual increase of about 1.7 percent. This difference in output-utilization growth rates can be explained. In 1963 part of increased utilization was supplied by "drawing down" stocks, particularly of grain. But in 1952-54 output exceeded utilization resulting in a net stock build-up equal to about 5 percent of output. In addition, imports have grown about twice as fast as the population.

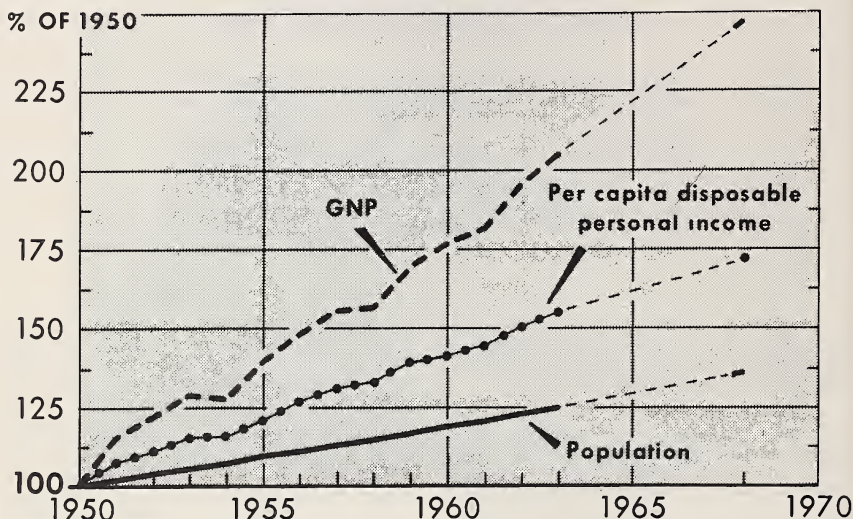
Declining prices, low incomes and costly agricultural programs have grown largely out of excess productive capacity. Extending our view into the near future, it appears that these problems, which have beset agriculture in the past decade, likely will continue in the next 5 years. With further growth in population and rising consumer incomes, current farm programs probably will result in a small decline in prices and incomes from present levels. But net farm income per farm would continue to rise, possibly by more than a tenth by 1968. Farms will grow larger, more mechanized, more efficient, and become fewer in number. And, shifts in resource use will accompany a further decline in the use of farm labor and in the farm population. Let us examine in some detail the major assumptions and analyses which back up the near-term outlook for agriculture.

#### MAJOR ASSUMPTIONS

This appraisal assumes a growing population, continued expansion in the general economy and current farm programs including the wheat program for the 1964 crop. Population is expected to rise from 1963 to 1968 by around 9 percent from 189 million to 206 million--an annual growth of nearly 1.7 percent. With more workers and a continuation of the uptrend in productivity, the projected gross national product of the economy increases by about a fifth from 1963 to 1968 or about 4 percent per year. Rising employment and higher wage rates would increase per capita consumer buying power by about 12 percent from 1963 (figure 1).

# POPULATION AND GENERAL ECONOMIC GROWTH

## 1950-63 and Projections to 1968



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2496-63 (10) ECONOMIC RESEARCH SERVICE

Figure 1

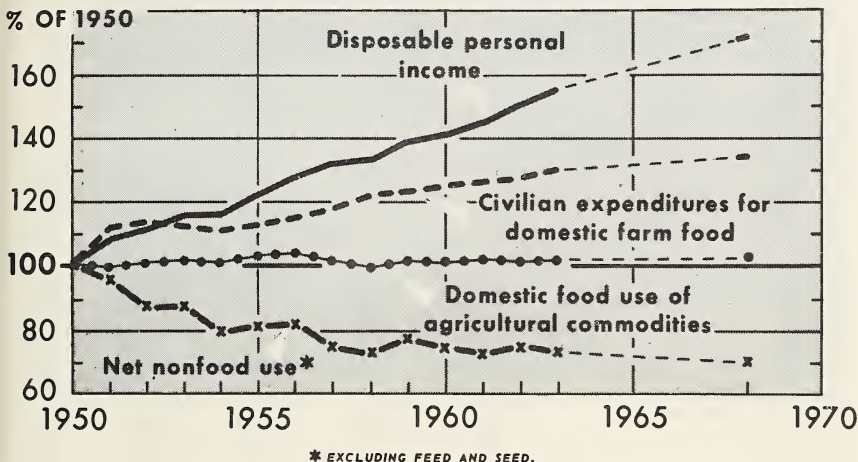
Except for wheat, farm programs assumed as a basis for these projections are those in effect for 1963 crops. The wheat program for the 1964 crop was assumed with a support price of \$1.25 per bushel for participating producers who plant within their acreage quotas. Similarly, the 1963 feed grain program was assumed to continue through 1968. Accordingly, a loan rate of \$1.10 per bushel was assumed for corn, with comparable supports for other feed grains, and a direct payment of 15 cents per bushel to participating growers.

Contingency reserve carryover stocks were assumed as follows: Around 600 million bushels for wheat; 45 million tons for feed grains; and 6 million bales for cotton. The Conservation Reserve would be reduced as contracts terminate. Other acreage control programs, marketing agreements and orders, domestic distribution programs, and the Food for Peace export program would continue as provided by legislation in effect during 1963.

## DEMAND FOR FARM PRODUCTS

As incomes rise, the consumer varies his diet and tends to spend more for it, but per capita consumption changes very little. Estimates for 1963 put the index of per capita domestic use of farm products (food and nonfood) at about 1 1/2 percent above the 1952-54 average; per capita food consumption is up about 3 percent but nonfood uses are nearly a tenth lower. Pounds of food consumed per person declined over the decade. At the same time per capita buying power of the consumer rose 19 percent and prices for food, adjusted for price level change, declined nearly 5 percent. These changes and statistical analyses based on the postwar years demonstrate overwhelmingly that the demand for farm products is very inelastic. The domestic market, consequently, has grown about the same as population (figure 2). But export markets have increased rapidly, reflecting expanded commercial markets supplemented by Food for Peace and related export programs.

# PER CAPITA CONSUMPTION OF FARM PRODUCTS RELATIVE TO CONSUMER INCOME 1950-63 and Projections to 1968



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Figure 2

## Domestic Markets

Although total domestic food consumption is expected to rise a little more than the population, consumers' expenditures for food will continue to rise. Per capita expenditures for food in 1963 will total around 17 percent above the 1952-54 average; per capita incomes will be up 36 percent. A further rise is projected in dollars spent by the consumer for food, primarily for the purchase of more processing and distributing services attached to food, though part of the increase may reflect a shift toward more higher priced foods.

capita consumption of beef in 1963 may total 95 pounds, 22 pounds more than the 1952-54 average; consumption of pork is about unchanged at 65 pounds. Consumption of poultry (chicken and turkey) increased more than 10 pounds to about 37 1/2 pounds per person in 1963. On the other hand, per capita consumption of such animal products as eggs was down 8 pounds and dairy products some 62 pounds from the 1952-54 average.

## PER CAPITA CONSUMPTION TRENDS

Even though the amount of food consumed per person changes very little, increases in consumer income, changes in relative prices, and other forces influencing consumer preference have a considerable impact on the consumption of individual foods. Per

These divergent trends for livestock products reflect income and price changes and the consumer's response to them. But they also reflect such influences as the concern about animal fats relative to obesity and health considerations. With rising incomes and little change in relative prices many of the above trends in eating habits will continue in the next 5 years.



Table 1.--Per capita consumption of food, 1952-54, 1957-59, 1962, 1963 and projections for 1968

Commodity	Average		1962	Preliminary 1963	Projected 1968 <sup>1/</sup>
	1952-54	1957-59			
	Lb.	Lb.	Lb.	Lb.	Lb.
Meat (carcass weight)	179.2	190.1	200.9	207.3	212
Beef and veal	82.2	89.2	94.6	100.1	106
Pork	65.3	63.0	63.9	64.9	61
Lamb and mutton	4.5	4.4	5.2	4.9	4.5
Chicken	22.3	27.5	30.1	30.6	33
Turkey	4.9	6.0	7.1	6.8	7.5
Eggs, farm weight	49.6	46.6	42.4	41.3	38.5
Dairy products, total (milk equivalent)	697	677	636	635	598
Fluid milk and cream (milk equivalent)	349	337	311	310	292
Evaporated and condensed milk	17.3	14.8	12.5	12.0	9.5
Cheese	7.7	7.9	9.1	9.3	9.5
Ice cream (net milk equivalent)	47.6	50.4	51.7	52.0	52
Butter	8.7	8.2	7.2	7.0	6.5
Fats and oils (excluding butter)	39.1	40.4	42.7	41.6	42.6
Lard	11.1	9.3	7.2	6.7	6.4
Margarine	8.2	8.9	9.3	9.4	9.9
Shortening	10.7	11.4	13.5	13.2	13.5
Other edible	9.1	10.8	12.7	12.3	12.8
Total, livestock, fats and oils	965	954	922	925	891
Vegetables (farm weight equivalent)	207.3	209.8	214.6	213.8	218
Fresh <sup>2/</sup>	73.9	72.6	71.6	71.4	72
Fresh, other <sup>3/</sup>	43.2	38.9	37.7	36.7	37
Frozen	11.7	14.9	17.8	17.6	18
Canned	78.5	83.4	87.5	88.1	91
Potatoes, white (fresh equivalent)	106	107	109	112	108
Melons	27.6	25.1	23.3	23.7	22
Fruits (farm weight equivalent)	200.2	199.2	195.2	181.1	199.5
Citrus, fresh	43.0	33.5	28.8	22.1	29
Apples, fresh	20.8	21.6	19.5	19.9	19.5
Other, fresh	45.8	43.7	40.4	41.3	40.0
Citrus, processed	42.3	49.0	54.3	44.3	54
Other, processed	34.9	39.8	41.3	42.4	47
Dried fruit	13.4	11.6	10.9	11.1	10
Cereals (grain equivalent)	253.4	237.2	232.8	231.5	228.4
Wheat and flour	183	168	160	159	156
Rice, milled	5.3	5.6	6.2	6.5	5.7
Corn	46.2	45.3	48.1	48.0	49
Other grains	10.4	10.1	10.1	10.0	10
Dry beans and peas	8.5	8.2	8.4	8.0	7.7
Sugar, refined	96.6	96.1	97.2	97.2	98
Coffee (green bean equivalent)	16.2	15.8	15.9	16.2	16.8
Total food from crops, except oils	907	890	888	876	891
Total food, crops and livestock products	1,872	1,844	1,810	1,801	1,782

<sup>1/</sup> Based on projected changes in consumer income, relative prices, and trends in consumer preference.

<sup>2/</sup> Leafy, green and yellow plus tomatoes, cucumbers, corn and celery less cabbage.

<sup>3/</sup> Includes sweetpotatoes.

# MORE POULTRY, RED MEAT IN DIET BY 1968

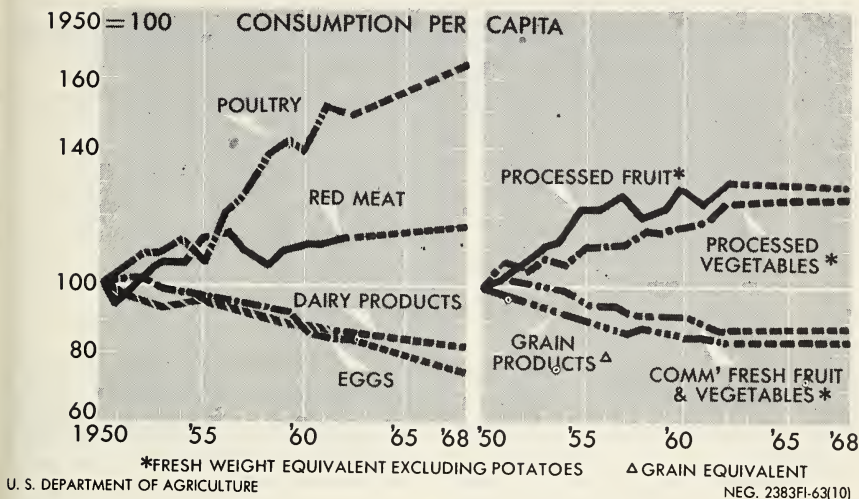


Figure 3

Relative stability in per capita use of food fats and oils conceals substantial declines in the consumption of animal fats (butter and lard) and an uptrend in per capita use of vegetable oils in margarine, shortening and salad dressing. Among the crops a pronounced shift is evident in consumption away from the cereals and fresh uses of fruits and vegetables and toward more frozen, processed, and other convenience foods. These trends are largely offsetting; per capita consumption of fruits and vegetables, in fresh weight equivalent, has changed very little over the past decade. Greatly increased use of processed potatoes has arrested the long-run decline in per capita consumption of potatoes in recent years (table 1). Many of the above shifts in the food use of crops reflect, in addition to income and price changes, the consumer's demand for convenience foods, his concern about being overweight, considerations of health and nutrition and such influences as population shifts, changes in age composition and possibly even food fads. Projections for 1968 reflect the continuation of most of these forces which have influenced diet changes in recent years (figure 3).

## NONFOOD USES OF FARM PRODUCTS

Per capita nonfood uses of farm products (excluding feed and seed) in 1963 average nearly one-tenth below 1952-54. Development of new fibers which compete with cotton and wool and development of materials competitive with fats and oils in the manufacture of soap and paints have played a key role in limiting nonfood uses of farm products. Such industrial uses likely will continue to be very responsive to changes in relative prices and to the general competitive position of raw materials. Per capita consumption of tobacco changed little in the past 10 years and may not change much in coming years pending the impact of new developments relating to health considerations. Nonfood uses of grain include primarily grain for alcohol, corn starch and for some other nonfood uses (table 2). Although further declines in per capita nonfood uses are in prospect, they likely will be less rapid than during the past decade.



Table 2.--Per capita nonfood uses, 1952-54, 1957-59, 1962, 1963 and projections for 1968

Item	Average		1962	Estimated 1963	Projected 1968
	1952-54	1957-59			
	Lb.	Lb.	Lb.	Lb.	Lb.
Major nonfood uses					
Cotton	25.6	22.7	22.9	21.6	20.5
Wool (scoured)	3.2	2.7	3.1	3.0	2.8
Tobacco	12.0	10.8	10.8	10.9	11.5
Industrial oils	21.6	23.7	23.7	24	24.5
Grains(excluding feed and seed)	64.5	67.2	66.9	70.0	75.0

## The Foreign Market

Record exports of farm products in recent years reflect expanding commercial markets and substantial shipments under Food for Peace and other export programs. Exports are estimated at a record level in calendar year 1963, nearly double the volume exported in 1952-54. This volume is estimated at around 16 percent of total farm output. But export markets in 1962-63 took around half of the wheat, rice, edible tallow, and soybeans (including bean equivalent of oil and meal); around one-fifth of the feed grains and cotton; and substantial quantities of tobacco, fruits, and other products (table 3). The value of agricultural exports account for about one-fourth of total exports.

Under current program assumptions, the value of agricultural exports is projected to around \$6 billion by 1968. This would be around a fifth above the large exports of recent years and would equal the unusually large exports now indicated for 1963-64. Much of the

increase is indicated for grains and fats and oils reflecting, for example, around 800 million bushels of wheat, more than 20 million tons of feed grains, and 6 1/4 billion pounds of food fats. These projections make no assumption with respect to current negotiations for increased exports of wheat and some other foods to Communist-bloc countries.

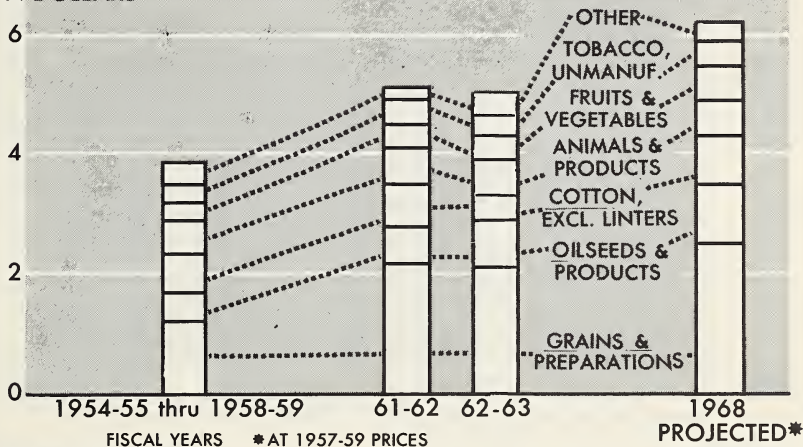
In addition to an expansion in commercial exports, current programs assume as vigorous Food for Peace program with continued large exports under P. L. 480 and other programs. Projected exports, as a result, reflect continued large shipments of grains, cotton and oils under the Food for Peace program as well as a further rise in dollar sales. The dollar sales may account for around two-thirds of total exports projected in 1968. Program exports under Food for Peace and other programs would account for about one-third of the total (figure 4).

Table 3.--Exports of major farm products, crop years, 1952-54, 1957-59, 1962-63 and projections to 1968

Item	Unit	Average		1962-63	Projected 1968
		1952-54	1957-59		
Wheat	Mil. bu.	270	452	639	800
Rice, rough	Mil. cwt.	20.7	22.4	36	34
Feed grain	Mil. tons	4.9	11.7	16.5	20.5
Food fats	Mil. lb.	1,600	3,169	4,250	6,230
Inedible tallow and grease	Mil. lb.	1,174	1,379	1,596	2,185
Cotton	Mil. bales	3.4	5.2	3.4	5

# PROJECTED EXPORTS ABOVE \$6 BILLION LEVEL

BILLION DOLLARS



U. S. DEPARTMENT OF AGRICULTURE

NEG. 2381FI-63(10)

Figure 4

## Projected Utilization

Total utilization of farm products is projected for 1968 at about 9 percent above the relatively high level of domestic use and exports estimated for 1963. The increase is slightly smaller than that projected for population. Domestic food use of farm products increases a little more than population growth (figure 5). But the decline in per capita nonfood uses of farm products is projected to increase for the next 5 years, under current program assumptions. Exports of crops projected for 1968 may total round a tenth larger than record shipments now indicated for calendar year 1963.

Although per capita consumption of food would change very little from current rates, the projected rise of about 12 percent in per capita consumer buying power would strengthen the market for preferred foods. However, projected utilization of livestock products from the record high in 1963 reflects primarily population growth. But utilization of beef and veal and poultry is projected to increase around 15 percent from 1963.

By comparison, very small gains in total utilization are shown for pork, lamb, and eggs reflecting the further decline in per capita consumption indicated for these foods. The projected decline in per capita use of dairy products is large enough to offset the effect of population growth. Estimated utilization in 1963 and the similar volume projected for 1968 include distribution under domestic food program as well as substantial exports under Food for Peace programs (table 4).

The domestic market for food from crops is projected to rise a little more than population. Nonfood uses also will rise, though less rapidly than population growth. As a result, combined utilization (domestic use and exports) of crops projected for 1968 is up about a tenth from 1963. Largest gains are indicated for wheat, soybeans, and cotton. Increased use of wheat for feed and a substantial increase in exports are projected under the lower support price assumed beginning with

Table 4.--Livestock product utilization, 1952-54, 1957-59, 1962, 1963 and projections for 1968 <sup>1/</sup>

Commodity	Average 1952-54	Average 1957-59	1962	Estimated 1963	Projected 1968
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
Beef and veal	13,448	15,750	17,766	19,040	21,770
Pork, excluding lard	10,641	11,137	12,027	12,385	12,700
Lamb and mutton	709	760	955	906	940
Chicken and turkey	4,404	5,951	7,228	7,302	8,485
Dairy products <sup>2/</sup>	116,489	124,338	123,765	126,129	127,525
	Mil. doz.	Mil. doz.	Mil. doz.	Mil. doz.	Mil. doz.
Eggs	5,360	5,482	5,354	5,322	5,455

<sup>1/</sup> Utilization includes domestic consumption and exports.

<sup>2/</sup> Utilization of dairy products includes domestic distribution programs and shipments under special export programs.

the 1964 crop. Increased feeding of wheat also partially explains a relatively small gain projected in the use of feed grains. Both domestic use and exports of soybeans are expected to rise with total utilization in 1967-68 some 20 to 25 percent above 1962-63. A sizable increase in utilization of cotton is projected from 1962-63, but the increase is primarily a recovery from the very small--3.4 million bale--exports in 1962-63.

Consumption of vegetables as a whole is projected to increase about the same as population. With little change in per capita use anticipated, potato consumption also is expected to increase about in line with population growth. There will likely be a sizable increase in the utilization of citrus from very low levels in 1963. But

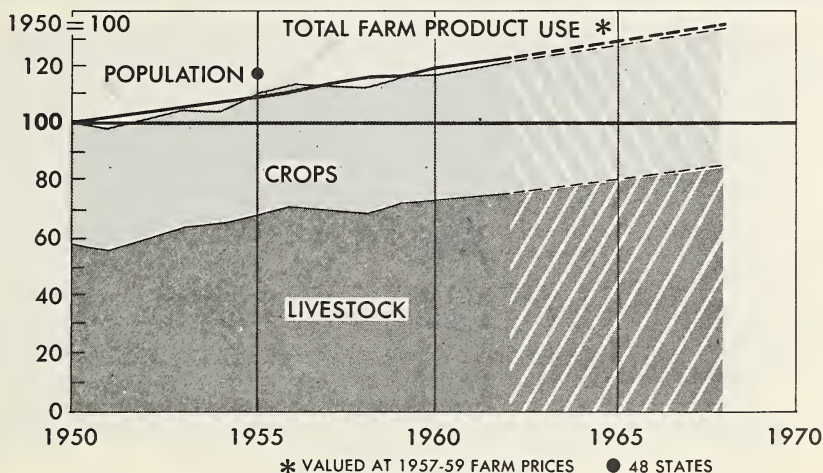
the increase will depend on how rapidly citrus production recovers from the effects of recent frost damage. Consumption of other fruit is projected to rise, possibly by 10 to 15 percent in the next 5 years.

Domestic markets for feed and seed currently account for 40 to 45 percent of crop output. Possible technological changes, product-feed price relationships, and the projected livestock production mix do not suggest much change in feeding rates under current program assumptions. Accordingly, requirements for feed concentrates increase about the same as livestock production. The strong consumer preference for beef may step up the demand for pasture and forages a bit more rapidly than for concentrates (table 5).

Table 5.--Domestic use and exports of selected crops, 1957-59, 1962-63 and projections for 1968

Commodity	Unit	Total 1957-59	1962-63			Projected 1967-68		
			Total	Domestic use	Export	Total	Domestic use	Export
Feed grains	Mil. tons	133.9	152.6	136.1	16.5	168.8	148.4	20.4
Corn	Mil. bu.	3,287	3,990	3,602	388	4,441	3,941	500
Wheat	Mil. bu.	1,051.9	1,230.7	592.0	638.7	1,515.0	715.0	800.0
Rice, rough	Mil. cwt.	49.2	65.1	28.9	36.2	63.5	29.3	34.2
Soybeans	Mil. bu.	528.0	722.8	542.8	180.0	888.0	648.0	240.0
Cotton	Mil. bales	14.0	12.8	8.4	3.4	13.8	8.8	5.0

## POPULATION, USE OF FARM PRODUCTS PARALLEL



U. S. DEPARTMENT OF AGRICULTURE

NEG. 2382FI-63(10)

Figure 5

## OUTPUT AND FARM ORGANIZATION

Greatly increased efficiencies in agriculture, together with moderate gains in demand, have resulted in continued pressure of supplies on available markets outlets. Technological developments and shifts in the relative cost of resources have resulted in extensive changes in the size and organization of farms and in the productivity of resources. The rise in total farm output over the past decade has been limited by the relatively small increase in the past 3 years when acreage was reduced under terms of the feed grain and wheat programs. Cropland used for crops in 1963 totaled 11 percent less and the input of labor was more than one-third smaller than in 1952-54. The impact of these reductions was largely offset by increased use of fertilizer, capital, and other nonfarm inputs.

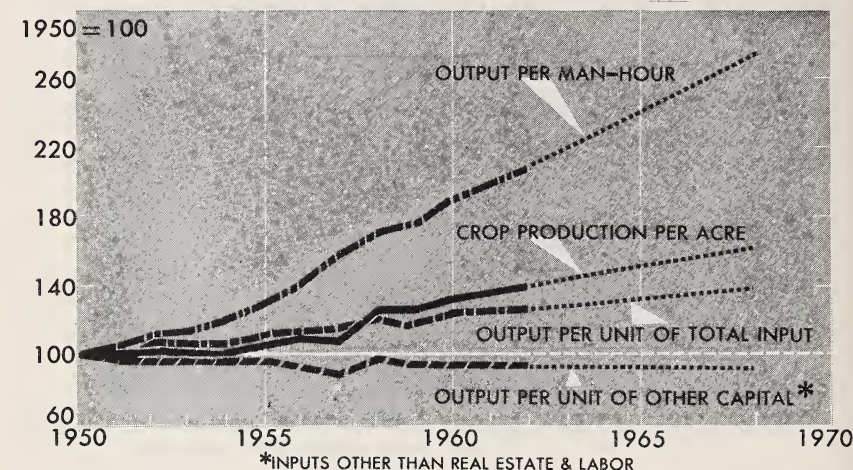
Technological developments in agriculture and increased use of capital, fertilizer and other nonfarm inputs have contributed to a pronounced trend toward fewer, larger, and more efficient farms. Farms with

sales above \$20,000 more than doubled in the 1950 decade; those with sales of \$10,000 to \$20,000 per farm increased nearly 50 percent. These increases were accompanied by a sharp reduction in the smaller farms other than part-time and part-retirement farms. The number of farms may be down to around 3 1/2 million this year, a decline of nearly 1 1/2 million over the past decade. If recent trends continue, the number of farms may decline to around 3 million units by 1968.

Relative prices, like technology, have figured importantly in shifts in resource use and in the trend toward larger farms. Relatively high prices for labor and land have led to the substitution of other resources, particularly fertilizer and capital. With new technology and shifts in resource use, output per unit of total inputs and livestock production per breeding unit in 1963 were about one-fifth above a decade earlier. Crop production per acre was up 31 percent and output per man-hour about 90 percent from the 1952-54 average (figure 6).



# OUTPUT PER MAN-HOUR TO CONTINUE RAPID RISE



U. S. DEPARTMENT OF AGRICULTURE

NEG. 2384FI-63(10)

Figure 6

Employment in agriculture is estimated at about 6 1/2 million in 1963 compared with nearly 9 million a decade earlier. 1/ Total farm population also declined very sharply over this period and may total less than 13 1/2 million in 1963 compared with 20 million a decade earlier. Currently the farm population and agricultural employment represent approximately 7 percent of the total for the U. S. Projections for the next 5 years point to a continuation of recent trends in resource use and a further decline in farm employment. The farm population also is expected to decline though possibly somewhat less rapidly than over the past decade. Continued technological developments and shifts in resource use imply further increases in yields and productivity in general.

Capital investment in agriculture has risen as farms became mechanized and grew larger and as labor became relatively more costly. However, the total quantity of productive assets in agriculture--land, farm machinery and equipment, inventories and working capital--increased only about 10 percent over the 1950

decade. But average investment per farm increased more than 40 percent, as farm numbers declined. This trend likely will continue, primarily reflecting farm consolidation. The total volume of assets used in agriculture may change little.

Cropland used for crops totaled 335 million acres in 1963, up 2 percent from 1962. This acreage compares with an average of 357 million used in 1957-59 and 380 million in 1952-54. Land classified as cropland is estimated at around 455 to 460 million acres. The 335 million acres used for crops in 1963 includes harvested acreage, crop failure, and summer fallow. Around 65 million acres of this is usually pastured. The remaining 55 to 60 million acres of cropland consists primarily of acreage in the Conservation Reserve and in the feed grain and wheat programs as well as some other idle land. Output and yields projected under current programs for 1968 point to an increase of about 10 million in acreage used for crops. Accordingly, projections for 1968 imply that land under programs and other idle land may total around 45 million acres.

1/ Based on Statistical Reporting Service concept.

## Projected Output and Imbalances

Farm output is projected for 1968, under current programs, at a level 11 percent above 1963. This increase is a bit larger than the projected increase in utilization from 1963 when a "pulldown" in grain stocks supplied part of the record level of utilization. Production of crops would increase by 11 percent in the next 5 years (figure 7). Projected production for most commodities matches increases in utilization. Accordingly, compared with 1963, largest output increases are projected for beef, poultry, soybeans, and wheat. Very small increases are indicated for milk, eggs, pork, cotton, and tobacco (table 6).

Production of livestock products is projected to increase about 10 percent by 1968 from the record high output estimated for 1963. Slaughter of beef increases around 18 percent and poultry around 15 percent from 1963. But production of pork, eggs, and

milk increases less than 5 percent from 1963 levels. These changes reflect primarily the projected increases in utilization at average prices for livestock products near current levels. With production of dairy products currently in surplus, even a small increase in output would provide ample supplies for continued large exports under special Food for Peace programs.

The feed grain program assumption would limit output sufficiently to reduce carryover stocks of feed grain to around the assumed normal of 45 million tons sometime before 1968. Wheat acreage is projected to increase under the 1964 program assumption and production may rise to nearly 1 1/2 billion bushels. This compares with a 1963 crop of over 1.1 billion bushels (table 7). With domestic feed use and exports of wheat projected to rise, a reduction of wheat stocks

Table 6.--Farm production and related data, 1952-54, 1957-59, 1962, 1963 and projected 1968

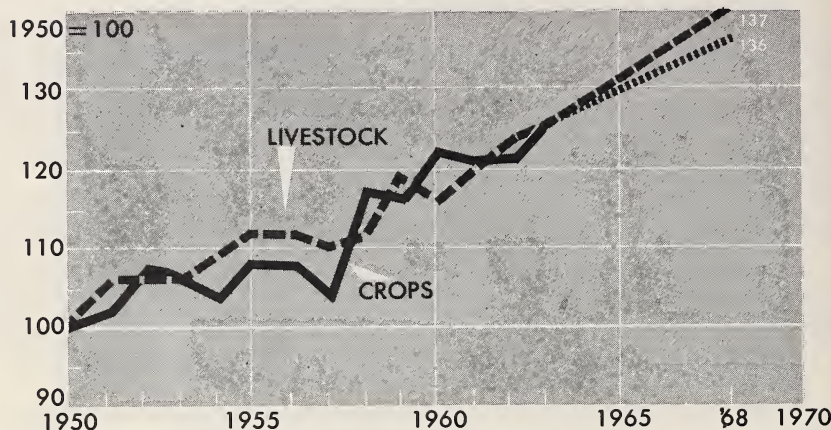
Item	(Indexes 1957-59 = 100)					
	Average 1952-54	Average 1957-59	1962	Estimated 1963	Projected 1968	
					Index	Percent change from 1963
Farm output	93	100	108	110	122	11
Livestock production	94	100	107	109	120	10
Meat animals	96	100	108	110	126	15
Dairy products	96	100	104	103	105	2
Poultry products	84	100	111	113	125	11
Crop production	94	100	108	110	122	11
Feed grains	79	100	101	108	120	11
Hay and forage	91	100	106	101	113	12
Food grains	99	100	97	101	125	24
Oil crops	66	100	123	132	166	26
Cotton	123	100	119	120	122	2
Vegetables <sup>1/</sup>	93	100	109	109	114	5
Cropland used for crops	106	100	92	94	97	3
Crop production per acre	89	100	117	117	126	8
Farm labor	131	100	85	82	74	-10
Other inputs <sup>2/</sup>	90	100	108	112	121	8

<sup>1/</sup> Including potatoes, dry beans and peas as well as truck crops for processing and fresh market.

<sup>2/</sup> Inputs other than labor and farm real estate.



# FARM OUTPUT TO CONTINUE RISING INTO '68



U. S. DEPARTMENT OF AGRICULTURE

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Figure 7

is indicated. If wheat exports increase to a billion bushels this year as expected, the carryover of wheat may be reduced more than a third during the 1963-64 marketing year. Under current programs for cotton, production is projected to continue around the present rate. Utilization, under the same assumption, rises from the low level in 1962-63 but not up to the 1957-59 level. The balance suggests a further build up in carry-over stocks of cotton.

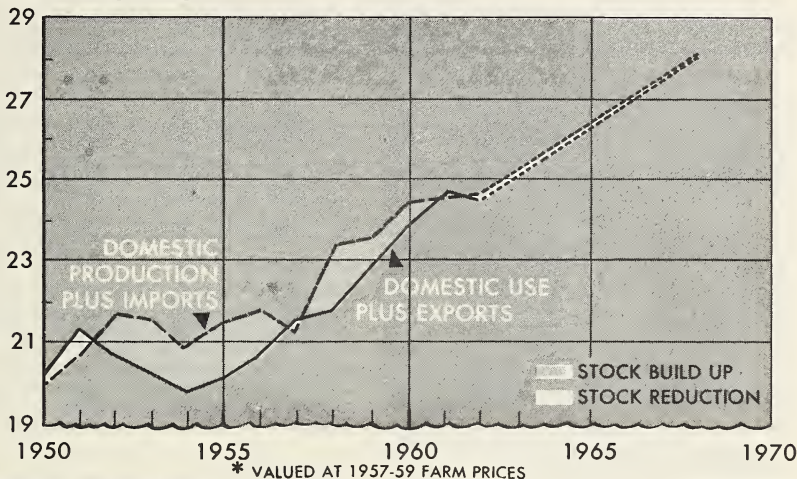
Prospective demand increases and current programs point to a continued rise in production of soybeans, possibly to a level around 915 million bushels from an estimated crop of 727 million in 1963. Such an increase probably would result in continued excess production of vegetable oils. Production increases projected for most other commodities largely reflect expected increases in utilization, though it may take several years for production of citrus to recover (figure 8).

Table 7. Crop output utilization balance, crop years, 1957-59, 1962-63 and projected 1967-68

Commodity	Unit	1957-59 average		1962-63 average		Projected 1967-68	
		Output	Utiliza- tion	Output	Utiliza- tion	Output	Utiliza- tion
Feed grain	Mil. ton	142,0	133,9	143,1	152,6	168,3	168,8
Corn	Mil. bu.	3,409	3,287	3,644	3,990	4,480	4,440
Wheat	Mil. bu.	1,178,1	1,051,9	1,093	1,230,7	1,430	1,515
Rice, rough	Mil. cwt.	47,1	49,2	64,5	65,1	63,2	63,5
Soybeans	Mil. bu.	532,2	528,0	675,2	722,8	913	888
Cotton	Mil. bales	12,1	14,0	14,8	11,8	14,7	13,8

# CROP PRODUCTION AND USE SEEN CLOSE IN '68

BILLION DOLLARS \*



U. S. DEPARTMENT OF AGRICULTURE

NEG. 2356FI-63(9)

Figure 8

## FARM PRICES AND INCOMES

Since the mid-1950's prices received by farmers have held relatively steady with the index ranging between 230 and 250 (1910-14=100). In recent years average crop prices have strengthened some due primarily to operations of farm price support programs. Livestock product prices have drifted slowly downward under the impact of a rising volume of marketings. Prices paid by farmers, on the other hand, have continued to rise and estimates for 1963 are about 7 percent above the 1957-59 average. Realized net incomes are now below a decade back. But they have risen in recent years and estimated net income this year is up about 6 percent from the 1957-59 average. With farm numbers declining rapidly, net farm income per farm rose a fourth over the 5 years.

### PRICES RECEIVED

Under current program assumptions, prices received by farmers projected for 1968 average 3 percent below the 242 (1910-14=100) estimated for 1963. Slightly lower average farm product prices reflect crop prices for 1968 about 5 percent below 1963. The difference is due primarily to the expected reduction in the price of wheat. Prices under these assumptions reflect a support price for wheat at \$1.25 per bushel compared with a loan rate of \$1.82 on 1963-crop wheat. Feed grain prices generally reflect the loan rate of \$1.10 per bushel for corn. Prices for cotton, the oil crops, tobacco, and dairy products were assumed at support levels for the 1963 crop (table 8).

Table 8.--Prices received by farmers, 1952-54, 1957-59, 1962, 1963 and projections for 1968 <sup>1/</sup>

Item	Unit	Average 1952-54	Average 1957-59	1962	Estimated 1963	Projected 1968
Livestock products	1910-14=100	274	258	255	246	245
Beef cattle	Dol. per cwt.	18.87	20.57	21.30	20.10	20.00
Hogs	Dol. per cwt.	20.27	17.17	16.30	15.40	15.50
All chickens	Dol. per cwt.	.242	.170	.146	.141	.130
Milk, wholesale	Dol. per cwt.	4.38	4.17	4.11	4.10	4.10
Eggs	Dol. per cwt.	.420	.348	.337	.360	.330
Crops	1910-14=100	250	223	230	235	223
Wheat	Dol. per bu.	2.08	1.81	2.00	1.92	1.25
Corn	Dol. per bu.	1.48	1.09	1.11	1.09	1.10
Soybeans	Dol. per bu.	2.63	2.01	2.34	2.44	2.25
Cotton (Am, Upland)	Dol. per lb.	.3326	.3137	.3160	.3182	<u>2/</u> .3172
Fruit	1910-14=100	198	333	220	268	240
Vegetables, commercial	1910-14=100	239	233	244	233	230
All farm products	1910-14=100	263	242	243	242	235

<sup>1/</sup> Weighted season average prices.

<sup>2/</sup> Support price for average quality.

Despite expanding supplies, livestock product prices are fairly well maintained, under current program assumptions. The considerable increase in demand, particularly for meats, enables the market to absorb an expanding production without unduly depressing prices.

#### FARM INCOME

The output increase and a small decline in average prices projected for 1968 suggest a gain in cash receipts from marketings of around 8 percent from 1963. Larger cash receipts are projected for all commodities except wheat. A larger volume of marketings is projected for wheat, but much lower prices would result in substantially smaller cash receipts to wheat producers.

Payments directly to farmers under programs for feed grains and wheat, soil conservation, and special commodity programs (wool, sugar) are estimated for 1968 around \$200 to \$300 million below the \$1.8 billion estimated for 1963. Nonmoney income--the income

received as home produced food, fuel, housing, etc.--also would trend downward as the number of farms declines. Accordingly, gross income, under current program assumptions would rise only around 5 percent or so from the \$41 billion estimated for 1963. With a projected increase of around a fifth for inputs other than land and labor, farm production expenses would increase, probably somewhat more than gross income. Realized net farm income, as a result is projected to decline around a billion dollars from the \$12 1/4 billion estimated for 1963. But realized net farm income per farm would rise nearly a tenth, if the recent downtrend in farm numbers continues.

Program costs, estimated for current programs, trend down slowly over the period. Cost estimates which include the 1964-crop program for wheat, would total substantially smaller than for the 1963 program, but the income of wheat producers also would be sharply reduced. The cost of the dairy product and cotton programs is projected to rise slightly from current levels, while feed grain program costs would decline as utilization expands and fewer acres need to be diverted.



## ALTERNATIVE PROGRAM ASSUMPTIONS

Projections were prepared under other price support and production control alternatives. I would like to summarize briefly the results of projections based on an assumed unlimited production or modified free market assumption.

In general, no farm programs involving production limitations are assumed under this alternative. However, export programs, domestic distribution programs, and marketings orders would continue at levels specified under the current program assumptions. Stocks presently held by the Government would be worked down through Food for Peace outlets so as to avoid dumping stocks on the domestic market.

United States agriculture is operating well below its potential capacity. With a relaxation of controls on the use of cropland and on production, the initial increase in output could be abrupt. And output likely would continue larger than under current program assumptions. Projected demand and output under the free market assumptions imply average prices received for farm products around one-fifth below current levels.

The domestic market would respond to lower prices, but the gain above the current program projections likely would be small in view of the very low price elasticity of demand for food. Projected per capita food consumption is up about 1 1/2 to 2 percent from 1963, a bit more than under current programs. Nonfood use per person, however, is projected to rise around 8 percent compared with a further decline projected under current programs. Feed requirements also would increase more under the free market assumption. The demand for livestock products also increases somewhat more. In addition, with relatively low prices for feed, a higher rate of concentrate feeding would be likely. Larger exports also are projected, reflecting a continuation of the Food for Peace programs and substantially lower prices under the free market assumptions.

Livestock production increases about 12 percent from the record 1963 output. Without acreage controls, crop output is projected to increase some 15 to 16 percent. The greater increase in crop output reflects larger feed requirements, and somewhat larger exports under the free market assumption. Much land now idle under various programs would be returned to production under the free market assumptions. Acreage used for crops may total about 25 million larger than under current programs. Much lower prices would tend to limit increases in the use of fertilizer and other inputs.

Crop production per acre would increase but, with cultivation of more land and some reduction in inputs per acre, the rise would be slower than projected under current programs.

A larger volume of farm marketings, under the unlimited production assumptions, would only partly offset the impact of lower prices on cash income. As a result, cash receipts are projected to decline around a tenth from the estimated \$36 billion in 1963. Government payments direct to farmers would be virtually eliminated. Thus, gross farm income would decline even more than cash receipts. Farm production expenses are projected to continue to rise, though the increase would be less than under current program assumptions. Costs for feed, feeder cattle, and other farm-produced inputs would be much lower. Farmers also would hire less labor and nonfarm inputs probably would rise less than under the current program alternative. But with smaller gross income, net farm income would be substantially reduced, perhaps to around half the present level of realized net income. The downtrend in the number of farms may accelerate some under the free market assumptions. But net income per farm would decline, possibly to around two-thirds of the present level.

Program costs would not be completely eliminated under free market assumptions, but they would be sharply curtailed. Under this alternative, Food for Peace programs would be continued as would domestic food distribution programs. Moreover, the Government would continue to hold contingency reserves of grains, dairy products, cotton, and other farm products. Accordingly, program costs estimated for 1968 total less than half similar estimates under current program assumptions.

The removal of price supports and production control programs, even with an orderly liquidation of stocks, undoubtedly would result in a quick and very sharp decline in farm product prices and incomes. However, such a short-run price and income situation could not be considered a stable equilibrium. A reduction in prices and incomes of this magnitude would result in extensive asset reevaluation and in some resource adjustment. An examination of production changes in agriculture during the postwar years suggests some response of output to changes in prices. It is logical also to expect a greater response to price change in a period long enough to effect adjustments in fixed resources. But the output potential relative to prospective demand increases suggest lower prices and incomes under the free market assumptions.









THE UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

THE USES AND ABUSES OF PROJECTIONS

Talk by Frederick V. Waugh, Research Adviser  
Office of the Administrator  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 2:00 P.M., Wednesday, November 19, 1963  
*Tuesday*

What is an economic projection and how does it differ from an economic forecast? As I understand it, a forecast is what you think will actually happen. A projection is a statement of what would happen under stated assumptions about such things as war or peace, population growth, and Government programs.

Both our economic forecasts and our economic projections are becoming more and more scientific. They are based upon research to measure past economic relationships. They are aimed at serious and useful purposes.

Thus, modern economic projections differ from the ancient pseudosciences of astrology, numerology, palmistry, and the reading of cards and tea leaves. Such fortune-telling is not based upon modern science. Yet, fortune-telling is still more popular than scientific economic forecasts. The Washington Post publishes a horoscope every day. It usually gives economic projections once a year.

Fortune-telling seldom serves any real purpose except to satisfy a natural curiosity about such important things as death, marriage, and wealth. The predictions do not tell you how to postpone death, how to marry the boss's daughter, nor how to get rich from the stock market or from horse races. They are usually rather vague and safe--you will take a journey, or meet a dark-haired woman. Some of our economic forecasts are vague and safe, too--there may be a recession at some unspecified time and of unknown magnitude. Sooner or later a recession will come, and we will be great prophets. Also, some writers occasionally have fun expounding crazy "theories" relating business conditions to the length of women's skirts or the size of the hole in a doughnut.

But the agricultural outlook and the agricultural projections use modern, refined, respectable techniques. They are becoming almost indispensable to the modern farmer, businessman, administrator, and legislator. We need to think seriously about their uses, and about possible abuses.

## Uses

Economic projections are being used more and more by individuals and by business. We are beginning to use them to develop public programs.

### 1. Guiding Individuals and Business Firms

Individual farmers and businessmen often want guidance about such economic matters as what to produce, when to buy and sell, what to store, how to distribute, whether to hedge or speculate. Good judgment about things of this kind means a successful business--poor judgment means failure. Only the largest corporations can afford to make their own economic analyses and projections. The ordinary farmer or businessman gets advice from many sources. They have gradually learned that one of the best and most reliable sources is the outlook service of the Department of Agriculture and the State Extension Services. But they sometimes complain that our forecasts are not specific enough. And occasionally a farmer, dealer, or politician still argues that an unfavorable forecast causes prices to go down. I doubt whether there is much to this argument. Prices usually go down because basic economic conditions are unfavorable. They would go down if the report were suppressed or if it were doctored to cover up the true situation. Similarly, fruit trees will freeze in cold weather, even if you break the thermometer and change the weather report.

In the past, our outlook work has been limited mainly to short-term forecasts of about 1 year. There is now increasing interest both in intermediate projections for some 5 years ahead, and also for long-term projections covering perhaps 25 to 50 years. The individual or the firm needs long-term projections to help decide what investments to make and the kind of business to do. For example, many farmers' sons want to know what agriculture is going to be like 20 or 30 years from now in order to decide whether to stay in farming or to prepare themselves for some nonfarm business or profession. Both the intermediate and the long-term projections will depend upon assumptions concerning economic programs, including farm programs.

### 2. Guiding Public Programs

One of our major problems is and will continue to be the appraisal of prospective agricultural surpluses and deficits, under assumed policies and programs. According to the Bible, Joseph dreamed that there would be 7 fat years followed by 7 lean years, and prepared a program to counteract some of the adverse effects. Today, few of us are willing to rely entirely upon dreams. Perhaps we rely too much upon mathematics. Neither dreams alone nor mathematics alone is enough. We need a lot of solid statistical and economic research to understand the reasons for past trends. We need the vision to see some of the new forces that may reshape trends of the future. For some time ahead, American agriculture will doubtless continue to be confronted with problems of surpluses. We must concern ourselves both with production adjustments and with increased distribution and consumption.

Malthus' projections of population and food supply not only led him to the conclusion that the world was threatened with continuous misery and vice. He used them to call attention to the need for a program to reduce misery and vice. His program was moral restraint and virtuous celibacy. Whatever the merits or demerits of Malthus' ideas about restraint, we still do have the problem of keeping the right kind of balance between population and food supply. We are now experiencing a world-wide population explosion. The agricultural economist may be able to soften the effects of this by indicating dimensions of the problems, and by pointing to ways of increasing the world output and distribution of food. The work of the Food and Agriculture Organization and the recent work of the Department of Agriculture to construct a world food budget are examples of a good beginning along this line.

Economic projections, of course, are not limited to agriculture. Since the Council of Economic Advisers was set up in 1946, there has been an increasing interest in "current and foreseeable trends"--especially in foreseeing periods of depression or inflation. We need not only more accurate forecasts, but also the development of possible counter-measures and the invention of quick and automatic adjustments to safeguard us from economic harm. We have some such automatic adjustments now, including Social Security payments, cost-of-living adjustments in many wage formulas, and the parity adjustment of agricultural price supports. These doubtless need improvement.

Perhaps in the future we may be intelligent enough to work out automatic tax adjustments. Instead of debating for a year or more whether to reduce or increase taxes, we ought to have some sort of automatic formula that would raise or lower taxes immediately if and when certain economic indexes indicated the change was needed. We now have an enormous mass of current economic statistics. We have machines that can analyze such data quickly. Could not such a machine digest the current mass of statistics, and ring a bell or flash a red light when a change in program is indicated?

### 3. Alternatives

Instead of one single projection, what we need for most practical purposes is a number of alternative projections.

Gerhard Colm from time to time has prepared for the National Planning Association several alternative versions of the Nation's Economic Budget. For example, some of them emphasize heavy business investment, some less business and more consumer spending, etc. We need such alternative projections, based upon different assumptions about farm programs. I think we should proceed to develop projections for all the principal kinds of farm programs that are being discussed.

A first question the statistician-economist must answer is what alternatives are economically feasible. When we make several different economic projections, we need to specify as concretely as possible the policies, programs,

and costs that would go with each. The economist should stick to economic results and to the economic feasibility of proposed alternatives. Political feasibility is another matter, and needs to be kept separate. In economic analysis, we can use the results of statistical studies of demand and supply. We can test feasibility by modern techniques of input-output analysis. But our statistical work, and especially our economic projections, must stay completely out of politics.

In a democracy, the final choice is made by the public. The economist and statistician can help by giving the public accurate, unbiased, and non-political estimates of results of alternatives. He cannot determine what the goals ought to be, but he can help us see what goals are attainable. It is all very well to talk about raising farm income, lowering food prices to the consumer, and reducing the cost of Government programs. But you can't do all these things at the same time.

### Abuses

I hope and believe that economic forecasting and projecting are becoming something like real sciences. They must be based upon sound economic theory. They must be tested and quantified by statistical research. Still, projecting is partly an art, as well as partly a science. This will doubtless always be so. A good economic projector will make full use of the many scientific methods developed by mathematicians and statisticians. But he will combine them with a vaguer ability that we sometimes call judgment or even intuition.

I think that most of the abuses of projections grow out of a mechanical, routine application of statistical results.

### Fatalism

Too many people accept economic projections as if they were certain and inescapable. This follows the folklore handed down from the soothsayers, fortune tellers, and numerologists.

Malthus' first essay on population (published anonymously) was completely fatalistic. Malthus said that population increases in a geometric ratio, while the food supply increases only in an arithmetic ratio. The essay concluded, "Among mankind, the effects are misery and vice--the former certain, the latter probable." Fatalistic projections of this kind led many to consider economics as the dismal science. But, as already indicated, Malthus in his later essays, presented one sort of program for improving the prospects.

What good does it do to have a projection for the Gross National Product in the year 2,000 if this is a fatalistic forecast which, like the laws of the Medes and Persians, cannot be changed? It is a mere curiosity of some interest to the readers of the Sunday supplements who like to see big numbers. I am not objecting to projections for the year 2,000. Such projections may serve very important uses. All I am saying is that we need a number of long-term projections--especially when considering policies and programs.

### Mechanical Projections of Trends

The mechanical projection of trends can lead us very far astray, especially if the trend itself is based upon inadequate data, and also especially if the projection involves a long period of time. Mark Twain, in "Life on the Mississippi" stated that, in recent years, the length of the lower Mississippi had been reduced by an average of about  $1\frac{1}{3}$  miles a year. On the basis of this single statistic, he projected backward a million years, and said that the lower Mississippi must have been 1.3 million miles long. He also projected forward and said that 742 years from the date he wrote, the lower Mississippi would be only  $1\frac{3}{4}$  miles long. He concluded, "There is something fascinating about science. One gets such wholesale returns of conjecture out of such a trifling investment of fact."

We economic statisticians also sometimes get wholesale returns of conjecture out of a trifling investment of statistical fact. Too often we fit a trend to a few recent years and extrapolate it mechanically into the future.

Abraham Lincoln, in his Second Annual Message on December 1, 1862, stated that the population of the United States in 1860 was 31,443,790. Further, he said that the annual decennial increase since 1790 had been 34.6 percent. Then he made a projection of the U. S. population in 1930. He stated that if the rate of increase continued, the population in 1930 would be 251,680,914. The actual population in 1930 was 123 million instead of 252 million. There was nothing wrong with Lincoln's statistics nor his arithmetic. All that was wrong was the assumption that the growth rate would remain constant.

### The Mystery of Compound Interest

The law of compound interest is a wonderful, mysterious, and awful thing.

Some think Peter Minuit cheated the Indians when he bought Manhattan Island from them in 1626 for \$24. But \$24 at an interest of 6 percent compounded annually for 337 years would be worth over 8 billion dollars today. Would Manhattan Island be worth 8 billion dollars today if the Indians had kept it as a hunting ground?



Mathematicians and statisticians can have a lot of good, clean fun by pointing out how big our Gross National Product would be 25 or 100 years from now if we have a continuous growth rate of 4 or 5 percent. But this is just an amusing pastime. If anything, it gets our minds off the real problems of economics. These problems center around how we can change the growth rate and how we can get a better distribution of income in order to raise the level of living of all our people.

Anyway, there is no reason for thinking that economic growth follows a compound-interest law of growth. It is doubtful if any economic statistics could follow such a curve for long. If they did they would lead to results even more peculiar than Mark Twain's projections of the length of the lower Mississippi. We need a lot more theoretical and statistical studies of growth and of the forces that increase or decrease growth rates. Back in the 1920's, Pearl and Reed developed a growth curve which was supposed to fit the trend of human populations better than the compound-interest curve, such as that used by Lincoln. But developments soon after the 1920's demonstrated that even the Pearl-Reed curve was not accurate enough for a long-term projection. The nature of actual economic growth rates is a matter deserving careful and thorough study.

### Conclusion

St. Augustine said, "The good Christian should beware of mathematicians and all those who make empty prophecies." I suppose he had in mind the many numerologists of his day. One of their favorite occupations was prophesying the date when the world would come to an end. This, like all other fatalistic projections, is an "empty prophecy", as St. Augustine called it. It is a prophecy that is empty of scientific fact and empty of useful purpose.

Our present-day economic projections are certainly not based upon the metaphysical hocus-pocus that was used by the ancient numerologists. Rather, they are based upon thorough studies of past trends and economic relationships. Still, these projections will be rather empty if they are simply mechanical projections of past trends.

The aim of economic projections should be to help the public decide what economic policies and programs it wants. This calls for much more than a single mechanical projection of trends. It requires a set of alternative projections, together with a detailed description of the policies and programs that would be required to reach each of them. If the mathematician and economist can do a competent, scientific job of outlining the alternatives, we can count on the good, old democratic process to decide what programs and policies to adopt.





UNITED STATES DEPARTMENT OF AGRICULTURE

ANALYSIS OF FARM PROGRAM ALTERNATIVES  
FOR FEED GRAINS AND WHEAT 1/

Luther Tweeten, Leo Mayer and Earl Heady 2/

Talk by Luther G. Tweeten  
Associate Professor of Agricultural Economics  
Oklahoma State University  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 3:00 P.M., Tuesday, November 19, 1963

The rapidly changing social, political, technical and economic structure of agriculture requires a continuing reappraisal of farm policies. The principal purpose in this paper is to project to 1967 the implications of selected programs for feed grains and wheat ranging from unrestricted production to mandatory controls. Our intent is to provide background data for policy formation more nearly consistent with the diverse goals, values and judgments of those concerned with agricultural programs. Feed grains and wheat are examined jointly because of the substitutability of these commodities in certain markets.

We first present data on the broad economic structure of agriculture, with emphasis on certain variables considered to be critical in determining what, if any, remedial price and income support measures are necessary.

The first sections establish a perspective for the principal section on the implications of 11 potential farm programs for feed grains and wheat. The 11 commodity programs pertain to the short-run problem of overproduction and depressed farm income. The data do not relate to the long-term problem of resource adjustment. The results are for the U. S. and do not include data for individual regions. Considerably more detail on prices, yield, production, grain supply balance, etc., can be found in the larger study, from which many of the data in this study were taken. 3/

The Current Farm Income Position

Per capita personal farm income from all sources averaged \$1,436 in 1962, the highest on record. This income was 59 percent of the \$2,445 per capita personal income of the nonfarm population. Farm income as a percent of non-farm income was the highest since 1951.

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1/ Oklahoma State Journal Number 939.

2/ Respectively, Associate Professor, Oklahoma State University and Research Associate and Professor, Iowa State University.

3/ Luther Tweeten, Earl Heady and Leo Mayer, Farm Program Alternatives, Oklahoma State Agricultural Experiment Station Journal Number 911, and Iowa State Center for Agricultural and Economic Development Report Number 13, Ames, Iowa, 1963.

These data hide important income differences by size of farm, which unfortunately are available only for census years. Total net cash income from all sources on farms with gross sales over \$10,000 in 1959 averaged \$8,614. <sup>4/</sup> This "net" income is evidence that many farm units with sizeable resource inputs and sales volumes are doing well financially. If we add certain noncash items, including nonmoney income from food and housing, the average net income of these large farms is \$9,960. But if we subtract the average (noncash) cost \$4,654 of owned production resources, the return to family labor is only \$5,306. <sup>5/</sup> With an estimated 1.2 family workers per farm, the average income per worker in the large farm category is \$4,422. This income is less than the \$4,590 average income of employed factory workers in 1959.

Two-thirds of all commercial farms fell in sales categories below \$10,000. Even before deducting for owned capital, the average earnings of these farms for each sales volume class was in all cases less than the average income of employed factory workers. <sup>6/</sup> These data suggest that farm income has lagged in relation to nonfarm income even in a year of substantial public outlays for support of farm prices and income.

### Economic Structure in Agriculture

Three important structural quantities or variables play a significant role in determining farm income and the "need" for Government involvement in agriculture: (a) the magnitude of excess production capacity in agriculture, (b) the elasticity of aggregate demand and, (c) the elasticity of aggregate supply of farm products.

Due to productivity rising faster than demand, excess capacity or excess supply at socially acceptable prices (measured as the net removals by the government of farm commodities from price-setting markets) rose to 9-11 percent of total agricultural output in crop years, 1957-59, and dropped to 7 percent in 1960 and 1961. <sup>7/</sup> The tendency for excess capacity to decline since 1959 reflects a rapid expansion in utilization rather than a diminution in productivity rates.

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<sup>4/</sup> C. Kyle Randall and Robert H. Masucci, "Farm and Nonfarm Income Comparisons," Journal of Farm Economics, 45:359-366, 1963.

<sup>5/</sup> A 5 percent interest rate was charged on owned capital. Asset data from U. S. Census.

<sup>6/</sup> Net cash income before subtracting the "cost" of owned capital was \$3,732 for the \$5,000-\$9,999 sales volume group, \$3,365 for the \$2,500-\$4,999 sales volume group and \$963 for the \$50-\$2,499 sales volume group. The cost of owned capital reflects to some extent the tendency for farm program benefits to inflate land values.

<sup>7/</sup> Fred Tyner and Luther Tweeten, Aggregate Excess Capacity in U. S. Agriculture, (Mimeo), Department of Agricultural Economics, Oklahoma State University, Stillwater, 1963. Net removals by the Government include potential production on acres diverted by feed grain and other control programs as well as export and storage programs.

The forces of education and research, which shift supply to the right more rapidly than demand, would not result in income problems if demand for farm products were elastic rather than inelastic. With elastic demand, farm income would expand, not contract, in response to output expansion. Econometric studies estimate a price elasticity of demand for food in aggregate ranging from -.1 to -.3. This concept means that for each 1 percent increase in aggregate output, other things equal, prices received by farmers decrease from 3 to 10 percent. The implications for farm prices of these low elasticity estimates have often been emphasized and need not again be discussed in detail. The implications for gross income, GI, and net income, NI, are not so well established. Given the demand elasticity, E, the elasticity of gross income with respect to output is  $1 + \frac{1}{E}$  and of net income with respect to output is  $\frac{GI}{NI} (1 + \frac{1}{E})$ . The latter formula applies only in the short-run, before resources and costs adjust downward to lower commodity prices. Assuming that E is as high as -.25, and using approximate current estimates of GI = \$40 billion and NI = \$13 billion, then each 1 percent autonomous increase in output depresses gross income 3 percent and net income 9 percent. Some crude aggregate calculations show the severe income repercussion from releasing to the market the 7 percent excess capacity currently diverted by Government programs. Again using a demand elasticity of -.25, the release of annually diverted production into markets would depress farm prices 23 percent, gross income 21 percent and net income over 60 percent.

A rapid increase in supply relative to demand would not cause extended economic problems for agriculture if commodity supply were highly elastic. Even with an inelastic demand, low prices and incomes resulting from output expansion would quickly "remove" excess resources if supply elasticity were higher. While income after adjustments might remain lower than before the initial shift in supply, resource returns per unit would quickly recover to a parity with returns in other sectors.

The elasticity of aggregate supply of farm products has been estimated to be .1 in 2 years, .15 in 4 years and .6 in 20 years. <sup>3/</sup> Based on these estimates, agriculture has limited capacity to adjust to autonomous increases in production without experiencing extended periods of depressed returns.

The above 3 structural conditions are interrelated. Excess capacity, as defined, would not persist if demand and/or supply were highly elastic. A highly inelastic demand and supply would not necessarily cause price and income problems if supply (productivity) increased at the same or at a slower rate than demand.

At least 2 more conditions might be added to the above 3 conditions. The low short-run supply response to falling prices in agriculture reflects the imperfect nature of input markets. The income problem in agriculture can be discussed in terms of a resource dichotomy. In the first resource category are highly productive, profitable and available resources. These "streamlined" technologically improved inputs such as fertilizers and pesticides are introduced at a rapid rate and can remain profitable despite falling commodity prices. In the second category are the less productive and often unprofitable

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<sup>3/</sup> Luther Tweeten and Earl Heady, Resource Demand and Structure of the Agricultural Industry, Iowa State University Press, Ames, 1963.



conventional resources such as land and labor. While the burden of resource outmovement necessary to equilibrate earnings between sectors falls on them, these "horse-and-buggy" resources respond slowly to economic stimuli. The resource dichotomy perpetuates the income and resource return problems in agriculture.

Finally, lack of bargaining power in agriculture conceivably might be cited as a source of farm income and resource return problems. Exercise of monopolistic pricing and output control conceivably could raise farm incomes with the given productive capacity and low supply and demand elasticities.

The structure of agriculture discussed above determines the income position of agriculture. Altering the basic structure (supply and demand parameters) may be constructive, but alterations to give higher farm incomes can, perhaps, only be accomplished in the long run. In the following section, we discuss short-run measures affecting prices and incomes in agriculture.

The implications of a selected set of programs are projected from 1964 to 1967. Underlying assumptions are that the national population will grow 1.75 percent per year and per capita real income will rise slightly less than 2 percent per year. Also, we assume no marked changes in market structure due to war, or to market activities of Iron Curtain, Common Market, and other countries. Productivity increases will continue under all programs. Programs for dairy, wool, cotton, rice, education, grading, research, etc., are assumed to remain basically unchanged, with costs and other characteristics similar to those in 1962.

Production of feed grains and wheat is basically uncontrolled in the first set of programs. However, storage operations, export subsidies and demand expansion programs (e.g., school lunch) prevent the severe fall in prices depicted earlier for a completely "free market." The first set of programs in subsequent pages are termed unrestricted production although again we emphasize that the Government is still involved in supporting demand through export, stock and welfare programs. The second set of direct payment programs employ either (a) payments without production controls or (b) compensatory payments for restricting production.

Up to 30 million acres are withdrawn from crop production under the third set or Conservation Reserve programs. Other production controls on feed grains and wheat are removed from 1964 to 1967 under these CR programs.

Mandatory control programs, limiting production or marketing across-the-board are the fourth set of programs considered. The description of each variant of the above four general classifications is given below. Each program is in effect from 1964-1967.

#### Uncontrolled production (U)

- U<sub>1</sub>: Production controls and price supports on feed grains and wheat removed from 1964 to 1967, Conservation Reserve contracts allowed to expire as they mature, Government storage of excess production that could only be absorbed by expanding livestock units at very low prices, wheat exports maintained at 600 million bushels by grants, barter and foreign currency sales. A supply response to lower prices allows a small restraint on output.

U<sub>2</sub>: Same as U<sub>1</sub>, but with Government export subsidies terminated.

U<sub>3</sub>: Same as U<sub>1</sub>, but all Conservation Reserve acreage returned to production in 1964.

#### Direct payments (D)

D<sub>1</sub>: The same program as under U<sub>1</sub>, but with direct grants to farmers giving them the same per capita income as estimated for 1963 (see D<sub>2</sub>) based on an annual 2 percent outmigration of the farm population.

D<sub>2</sub>: The 1963-type compensatory payment program for feed grains and wheat, featuring payments to farmers for cutting production, with land in Conservation Reserve returning to production as current contracts expire. Since this program was already established for 1963 when this report was researched, the implications of only D<sub>2</sub> were computed for 1963; other programs begin in 1964.

D<sub>3</sub>: The same program as D<sub>2</sub>, but acreage diversion relaxed to allow maintenance of prices no higher than the 1962 level after CCC stocks are depleted, and 26 million acres continued in the Conservation Reserve. D<sub>2</sub> and D<sub>3</sub> are the same in 1963.

#### Conservation Reserve (C)

C<sub>1</sub>: Conservation Reserve increased to 33 million acres, balancing production and utilization of feed grains and wheat with a constant CCC stock inventory, acreage diversion other than Conservation Reserve dropped in 1964, exports subsidized. Without a special wheat program, the wheat price is assumed to fall to \$1.13 per bushel in 1964 but other commodity prices remain at the 1962 level.

C<sub>2</sub>: Same as C<sub>1</sub>, but Conservation Reserve increased gradually to 55 million acres.

C<sub>3</sub>: Same as C<sub>1</sub>, but Conservation Reserve increased gradually to 30 million acres.

#### Mandatory controls (M)

M<sub>1</sub>: Feed grain and wheat acreage reduced 10 percent below uncontrolled production level by across-the-board, mandatory measures. Conservation Reserve contracts phased out. Marketings are regulated to maintain 1963 prices, except for the wheat price which falls to \$1.13 per bushel in 1964. The difference between production and utilization at the above prices is filled from excess Commodity Credit Corporation stocks.

M<sub>2</sub>: Feed grain and wheat acreage reduced 20 percent; other conditions as in M<sub>1</sub>. After CCC stocks are reduced, prices and farm incomes rise.

#### Total net farm income

The projected U. S. net farm income for the above programs is given in Table 1. Estimates are for 1964-67, except for the diversionary program D<sub>2</sub>

Table 1. Projected U. S. Net Farm Income for 11 Program Alternatives.

Program Alternative	1963 <sup>a</sup>	1964	1965	1966	1967
-Billion Dollars-					
U <sub>1</sub>	--	9.7	9.2	8.6	7.6
U <sub>2</sub>	--	9.7	9.2	8.6	7.6
U <sub>3</sub>	--	9.4	9.0	8.5	7.5
D <sub>1</sub>	--	12.7	12.5	12.2	12.0
D <sub>2</sub>	13.3	13.1	13.6	13.3	13.3
D <sub>3</sub>	13.3	13.2	13.6	12.8	12.8
C <sub>1</sub>	--	11.7	11.8	11.8	11.9
C <sub>2</sub>	--	12.0	12.3	12.4	12.7
C <sub>3</sub>	--	12.2	12.7	12.7	15.6
M <sub>1</sub>	--	11.6	11.9	11.5	11.5
M <sub>2</sub>	--	11.7	12.0	13.0	14.6

<sup>a</sup>Programs other than D<sub>2</sub> and D<sub>3</sub> are assumed to begin in 1964.

(or D<sub>3</sub>) which was already established for feed grain and wheat when the estimates in the table were made. Estimated total net farm income for 1963, \$13.3 billion under D<sub>2</sub>, reflects a sizeable Government "investment" in price supports and production controls that year. Removing Government controls and price supports under unrestricted production alternatives (U) leads to an income decline of about \$5.7 billion by 1967--about 40 percent below the estimated 1963 income. Our projections extend only to 1967, but the tendency of lower prices to restrain production by 1967 suggests that income would not drop much further in subsequent years. Income is slightly lower under U<sub>3</sub> than under U<sub>1</sub> and U<sub>2</sub> because termination of Conservation Reserve contracts not only increases output and depresses prices (due to the inelastic commodity demand), but also removes Conservation Reserve payments as a source of farm income.

The direct payment program, D<sub>1</sub>, would maintain per capita net farm income through direct grants to farmers. Because farm numbers and population decline, total net income declines while per capita income is being maintained. The estimates are corrected for the effect of inflation on input prices and farm costs. The 1963 compensatory payment program, D<sub>2</sub>, maintains farm income at slightly over \$13 billion annually over the entire period. Program D<sub>3</sub>, designed to sustain 1963 prices, maintains income until 1965, then begins to fall because relaxed acreage restrictions mean lower payments to farmers for diverting land from production.

Under the Conservation Reserve program C<sub>1</sub>, farm income declines \$1.4 billion or 10 percent by 1967 because the wheat price is allowed to fall to \$1.13 per bushel (other prices are maintained at 1963 levels). Also, Conservation Reserve payments add less to farm income than diversion payments under D<sub>2</sub> because C<sub>1</sub> requires fewer payments than D<sub>2</sub> to maintain farm prices at a given level. The Conservation Reserve program, C<sub>2</sub>, would deplete feed grain

and wheat stocks and hold prices and net farm income quite stable. The 30 million acres diverted under C3 not only would eliminate excess grain stocks, but also would cause prices and net farm income to rise over the period 1964-67.

Reduced production under the mandatory program,  $M_1$ , would maintain 1963 prices (except wheat) and gross farm receipts from crops and livestock, but net income would decline due to substantial decline in Government payments after 1963. But the 20 percent reduction in farm production under  $M_2$  would quickly deplete excess stocks and drive prices and farm income above the 1963 level. Continuation of  $M_1$  or  $M_2$  after 1967 would bring higher farm commodity prices and incomes.

#### U. S. Government costs of all food and agriculture programs

Government costs in Table 2 include not only outlays for feed grain and wheat programs, but also approximately \$4.5 billion of "fixed costs" for tobacco, cotton, rice, wool, dairy, education, research and other programs. The cost of commodity acquisitions, storage, export programs, etc., under  $U_1$  for grains only ranges from \$1.2 to \$1.3 billion, not the \$5.7 to \$5.8 billion indicated in Table 2. If all costs for feed grain and wheat programs were eliminated, the Government cost of all programs for agriculture would not be halved.

The results in Table 2 reflect certain general "laws" of U. S. Treasury expense for farm programs. Unrestricted production (U) and mandatory control (M) programs entail the lowest Government cost; voluntary programs (D) and (C) entail the highest Government cost. Programs  $M_1$  and  $M_2$  permit savings through CCC stock sales, hence, cost taxpayers less than programs  $U_1, U_2$  and  $U_3$ . (The administrative expense of mandatory programs is higher, however.)

Government costs decline from the 1963 level (see  $D_2$  and  $D_3$ ) under all of the unrestricted production programs in 1964. These are not pure "free market programs," since they assume Government storage and loan programs to "keep the bottom from dropping out" of farm prices. Hence, stocks increase under all U programs even with declining prices. Consequently, Government costs eventually work upwards from the projected low level of 1964. Government costs under the mandatory control or M programs decline and stay near the 1964 low. The bulk of costs in 1964-67 would be the \$4.5 billion "fixed costs"--not costs for the mandatory wheat and feed grain programs mentioned above.

Research indicates that the Government cost to raise farm income a given amount above free market levels is lower for the Conservation Reserve programs than for the direct, compensatory payment programs, but is higher than for the mandatory control programs. Government costs accelerate for any voluntary control program as farm prices are supported at higher levels, a result especially obvious for the 30 million acre Conservation Reserve program,  $C_3$ , in 1967.

To achieve the same farm prices, the Government cost of  $U_1$  (exports subsidized) is less than the cost of  $U_2$  (no export subsidy) or  $U_3$  (no Conservation Reserve) from 1964 to 1967. This result arises because the stock accumulation program is less efficient as a means of supporting farm income than the subsidized export and Conservation Reserve programs. (Efficiency is defined here as the "volume" or constant dollar value of production removed from the



Table 2. Projected Total Government Cost for 11 Program Alternatives.

Program Alternative	1963	1964	1965	1966	1967
-Billion Dollars-					
U <sub>1</sub>	--	5.7	5.7	5.8	5.8
U <sub>2</sub>	--	5.8	5.9	6.0	6.1
U <sub>3</sub>	--	5.8	5.8	5.9	6.2
D <sub>1</sub>	--	8.8	9.1	9.5	10.3
D <sub>2</sub>	7.1	6.9	6.9	7.1	7.3
D <sub>3</sub>	7.1	6.9	6.9	6.8	6.9
C <sub>1</sub>	--	6.1	6.1	6.2	6.3
C <sub>2</sub>	--	6.1	6.1	6.2	6.2
C <sub>3</sub>	--	6.1	6.2	6.5	7.7
M <sub>1</sub>	--	5.5	5.5	5.6	5.6
M <sub>2</sub>	--	5.1	5.4	5.6	5.9

market per dollar of Government expenditures.) The Conservation Reserve program is most efficient in this respect, hence, costs are highest if it is eliminated, as in the U<sub>3</sub> alternative. The same conclusion is apparent from comparing the direct payment programs, D<sub>2</sub> (CR contracts phase out as they expire) and D<sub>3</sub> (CR contracts constant at 26 million acres). Again, the direct payment program with the larger Conservation Reserve is cheaper not only because the Conservation Reserve program removed more production per dollar of Government cost, but also because a smaller production under D<sub>3</sub> permits eventual savings in storage costs.

#### Retail food and fiber costs

Net farm income above free market levels in Table 1 comes either from lower farm expenses, higher Government costs or higher market receipts to farmers for their products. Despite falling farm prices and lower per capita food and fiber costs under unrestricted programs (U), total consumer costs are rising slightly because of the increasing number of consumers.

It is apparent from Table 3 that the increased farm income with mandatory control programs (M) tend to come through consumers, whereas the farm income increase with direct grants, D<sub>1</sub>, tends to come through taxpayers.

Voluntary programs emphasizing the Conservation Reserve, C<sub>1</sub> and C<sub>2</sub>, or acreage diversion, D<sub>2</sub> or D<sub>3</sub>, derive higher net farm income from consumers, taxpayers and lower farm production costs. Differences in consumer food costs among these programs are not sizeable.

#### Output of feed grain and wheat

One measure of the public or social cost of the above programs is total output of feed grain and wheat. Social cost is one indication of the aggregate public welfare gained or foregone and resource inefficiencies embodied in a particular program. Under rigid assumptions, the pricing and output

Table 3. Estimated Total Consumer Retail Food and Fiber Costs<sup>a</sup>

Program Alternative	1963	1964	1965	1966	1967
-Billion Dollars-					
U <sub>1</sub>	--	58.8	59.1	59.7	59.7
U <sub>2</sub>			(Same as U <sub>1</sub> ) <sup>b</sup>		
U <sub>3</sub>			(Same as U <sub>1</sub> ) <sup>b</sup>		
D <sub>1</sub>	--	58.8	59.1	59.7	59.7
D <sub>2</sub>	58.9	59.7	61.1	62.2	63.5
D <sub>3</sub>			(Same as D <sub>2</sub> ) <sup>b</sup>		
C <sub>1</sub>	--	59.3	60.7	61.8	63.1
C <sub>2</sub>			(Same as C <sub>1</sub> ) <sup>b</sup>		
C <sub>3</sub>	--	59.3	60.7	62.2	64.2
M <sub>1</sub>	--	59.3	60.7	61.8	63.1
M <sub>2</sub>	--	59.3	60.7	62.7	65.1

<sup>a</sup>Outlays increase each year under all programs because of more consumers, as well as because of program effects.

<sup>b</sup>There are differences in costs, but the differences are too small for our methods to detect. For example, under D<sub>1</sub>, consumer retail costs are slightly lower than under any of the "U" alternatives.

under free markets maximize social gain. <sup>9/</sup> These assumptions are never fully met and may be especially violated in agriculture, however. So the social cost concept (especially when measured by output) is an uncertain indication of the true social cost. But because policy makers may wish to examine a criterion that to some extent transcends the more "narrow" goal of nominal treasury cost, high farm income or low consumer food cost, Table 4 is presented.

The table indicates that programs emphasizing the goal of high farm income tend to conflict with the goal of high output. The high output for the unrestricted production (U) suggests low social cost. Programs C<sub>3</sub> and M<sub>2</sub> provide high farm incomes, but low total output. If the goal is to maintain farm income (per capita) at the 1963 level, yet minimize social cost in terms of maximum output, only one program, D<sub>1</sub>, qualifies. However, as discussed earlier, this program has the disadvantage of high treasury cost. The program also engenders a significant income redistribution, which may or may not enhance social welfare. Of course, the income distribution characteristic of free markets also has been the focus of considerable criticism in the past.

<sup>9/</sup> These assumptions include perfect knowledge, complete mobility of resources, a satisfactory initial distribution of resources, lack of monopoly and monopsony, absence of external economies of scale, etc.



Table 4. Projected Output of Feed Grains and Wheat<sup>a</sup>

Program Alternative	1963	1964	1965	1966	1967
-Million Tons-					
U <sub>1</sub>	--	199.2	202.0	204.3	207.3
U <sub>2</sub>	--	199.2	202.0	204.3	207.3
U <sub>3</sub>	--	207.9	209.2	211.4	221.7
D <sub>1</sub>	--	199.2	203.5	207.4	211.9
D <sub>2</sub>	172.4	175.9	173.4	181.3	184.7
D <sub>3</sub>	172.4	175.9	173.4	187.3	194.9
C <sub>1</sub>	--	191.6	193.9	194.9	197.4
C <sub>2</sub>	--	185.2	184.1	184.8	187.6
C <sub>3</sub>	--	173.7	175.3	174.2	174.0
M <sub>1</sub>	--	182.0	185.3	189.4	193.2
M <sub>2</sub>	--	166.9	170.3	173.4	176.8

<sup>a</sup>A deviation from the free market equilibrium output is an indication of the social cost of a nonoptimum output and resource allocation. The time period in this study is too short for resource adjustments to a free market equilibrium, but the output under U<sub>3</sub> would, perhaps, most nearly approximate the free market equilibrium in 1967.

#### Selecting a Grain Program

One approach to choosing an optimum program is to select the program with the greatest potential net social benefit, then secondarily consider the question of how the benefits should be distributed. In other words, we would first select the biggest "pie," then decide how the "pieces" are divided. Given that resources are mobile and knowledge is complete, free markets unencumbered by production and marketing controls can be demonstrated to maximize net social gain subject to the initial resource distribution. Because the initial distribution of resources may be unsatisfactory, resources are not mobile and information is not perfect, the net social welfare may not, in fact, be maximized by free markets and a redistribution of the net social benefits between producers and consumers may be considered desirable. Some of the current policy debate centers around the need for a redistribution of income from taxpayers or consumers to farmers, but great disagreement exists over the means to be employed. Much debate is centered on whether this redistribution should come via the Government treasury or over the food control. Given agreement on a desired redistribution of income, farm programs can be classified by relative emphasis on getting the redistribution through the market or the treasury.

One measure of program efficiency, fitting to this context, is the value of production removed per dollar of Government cost. Measured in these terms, the greatest efficiency is offered by mandatory control programs such as M<sub>1</sub> and M<sub>2</sub>. But because the mandatory provisions may conflict with certain values, it is also useful to consider the efficiency of voluntary control programs, including the Conservation Reserve, compensatory payment schemes,

commodity storage and export subsidies. At low levels of participation, the value of production removed per treasury dollar by the Conservation Reserve is estimated to be over 2.0. As the program is expanded, efficiency declines but may average as high as 1.3 even at high levels of participation based on theory and past research. Voluntary land diversion programs such as under the 1961 Emergency Feed Grain Program appear to be less efficient; the estimated efficiency of the program in 1961 ranges from .9 to 1.2 (a point estimate 1.15 was used in this study for programs of this type). Expansion of exports above levels in normal, recent years by Government programs probably would return benefits to the U. S. about equal to transportation and other handling costs.<sup>10/</sup> That is, considering (a) the opportunity cost in terms of efficiency of alternative forms of economic aid in promoting economic development and (b) benefits to the U. S. from earned foreign currencies and other forms of payment, the marginal gain from Government exports expanded much above recent levels is probably no more than equal to the transportation and handling cost of these exports. Thus, the net cost to the Government appears to be about equal to the value of production removed, and implies an efficiency of 1.0. However, in the future it is likely that expansion of exports through Government programs to some selected countries may be a very efficient means of handling excess capacity to produce in U. S. agriculture.

Purchase of farm commodities for storage involves, by accounting identity, Government cost equal to the value of production removed--an efficiency of 1.0. A long-term policy to raise farm incomes by stock accumulation would be highly inefficient. The efficiency at purchase is 1.0 but for each year of storage, Government cost rises. Hence, if 1 bushel of corn is purchased for \$1.07 and stored for 1 year at \$.20 per bushel, the efficiency declines from  $\$1.07/\$1.07 = 1.0$  at purchase to  $\$1.07/\$1.27 = .84$  after 1 year. Further storage cost would lower efficiency until after about 5 years, efficiency would be 0. These conclusions apply to feed grain and wheat stocks above the 45 to 60 million tons justified for high-value emergency needs. Since a storage program to raise prices would defeat the intended purpose if stocks were later marketed, there would be no expected resale value. The conclusion is that to keep program efficiency high, excess supplies should be destroyed in the field rather than stored under the circumstances stated above.

To summarize, the marginal efficiency (value of production removed per Government dollar for programs expanded above current levels) of voluntary programs to raise farm income, ranked from highest to lowest appears to be: Conservation Reserve, voluntary diversion programs of the 1961-63 type for feed grains, direct payments without production controls, export expansion in nondollar markets and finally stock accumulation. However, new findings, particularly stemming from research on long-run market building benefits of exports to nondollar markets could upset this ranking.

#### Summary and Conclusions

We leave to farmers, consumers and taxpayers as voters and market participants the responsibility for answering the question, "Which program is best?" The answer depends on which group is answering, the criteria for

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<sup>10/</sup> 1963 is not considered a normal year for exports. A "normal" year might be defined as 17 million tons of feed grain exports, 600-700 million bushels of wheat exports.

judgment, and the weights placed on each criterion. If the objective is to minimize consumer food bills, the answer might be unrestricted farm production or direct payments to farmers. If the goal is low U. S. Treasury cost, the answer is free markets or mandatory controls. If the goal is minimum farm "cost," defined as least economic pressures for resource adjustments to non-farm employment (highest net farm income), the optimum program is not free markets. But free markets might be highly desirable to persons wishing to minimize administrative inefficiency.

Another desirable feature is the freedom of individual action permitted by the program. Absence of controls and price supports would give farmers freedom to produce commodities and combine resources as they choose, but might conflict with the freedom of opportunity to enjoy a satisfactory living standard, or remain in one's chosen vocation. The conflict of freedom with other goals also is apparent. Many wish to preserve the family farm, yet the stress of low family income with free markets might create pressure for an alternative economic organization. A direct payment plan might be used to allow freedom in making production and marketing decisions, yet provide a "socially acceptable" income. But the subsidy can be interpreted as a conflict with the goal of commutative justice since farmers would be earning more than their marginal contribution to the national product. It also would conflict with the enterprise creed which states that (a) the individual or his family is responsible for his economic security and (b) a primary function of the Government is to prevent the imprudent from pressuring the Government or business into sharing his economic responsibilities. 11/

These comments and conclusions illustrate that there is no one "best" program that satisfies all criteria for all groups. There are obvious conflicts which must be resolved for useful and constructive policy formulation. While there are more than enough emotional issues to fuel violent debate, this will not be the optimum environment for successful policy formulation.

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11/ Brewster, John M., "Society Values and Goals," p. 119 in Goals and Values in Agricultural Policy, Iowa State Center for Agricultural and Economic Adjustment, Iowa State University Press, Ames, 1961.

WORLD MARKETS FOR AMERICAN AGRICULTURE

American agriculture is playing an expanding role in the international economy, and world markets are of increasing importance to American agriculture. Never before have international affairs and agricultural problems been more closely entwined.

I have spent the past week in Europe -- in Amsterdam, Paris, and Rome, in an intensive effort to represent the best interests of U.S. agriculture and the American economy in discussions that are taking place in these critical weeks of decision -- that could affect the future course of expanding trade and higher standards of living in the free world. Our representatives have been representing these same interests in discussions looking forward to next spring's GATT negotiations.

I therefore welcome this opportunity to discuss with you the place of American agriculture in world affairs, and particularly to emphasize the importance of the principles for which the United States is now taking a firm stand. It is of utmost importance that the American people understand the importance of these principles -- that they realize how much is at stake, both for growth of the U.S. economy and for economic progress in the rest of the world, in the international implementation of these principles.

The expanding role of agriculture in the U.S. economy is highlighted by facts and figures you have already had set before you in this

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Address by Secretary of Agriculture Orville L. Freeman at 41st Annual National Agricultural Outlook Conference, 5:00 p.m. (EST), November 20, 1963, Jefferson Auditorium, U.S. Department of Agriculture, Washington, D. C.



Outlook Conference. A recapitulation of a few of these figures and projections is in order.

U. S. agricultural exports have risen rapidly over the last few years. Averaging less than \$4 billion annually in the late 50's, they have been over \$5 billion annually thus far in the 60's, and are projected to pass the \$6 billion level in the late 60's. In fact, they may even approximate that \$6 billion in the current year, depending on the extent to which U.S. trade meets the especially high demand resulting from this year's unusually bad weather conditions in the Soviet Bloc nations. U. S. farm exports now exceed those of Canada, Australia and Argentina combined.

U. S. agricultural exports have risen not only quantitatively, but also proportionately. Historically, our farm exports have represented a declining share of our total exports, but this trend has recently been reversed. We have been working hard to expand our agricultural markets, and, as you have already heard in previous Outlook papers, farm exports are now expanding much more rapidly than other exports. The agricultural share of total exports was 18 percent in 1953, while in 1962 it represented 24 percent of total exports.

Agriculture's share of total U.S. exports can and should increase still further: first, because of our efficiency in production; second, because of the world's needs; and third, because in the long run economic progress and higher standards in the importing countries -- and I speak now particularly of the highly developed industrial nations of Western Europe -- will depend on their granting of access to their markets of agricultural imports from countries that have a greater comparative advantage in production.

I believe this principle of the economic advantages of expanding international trade is generally recognized by the importing countries. But they -- like we -- have problems of supporting incomes of their farmers. The European Economic Community is now trying to develop a Common Agricultural Policy that will meet the various domestic political problems of the respective countries and still further the goal of a closer knit community. The direction this CAP may take is of critical importance to the outlook for American agricultural exports. There are danger signs. Some proposals now under active consideration in the EEC would, according to best estimates from information now available, seriously curtail our markets, and would mean the establishment of new, highly protective barriers in Western Europe.

The United States does not presume to interfere with domestic farm programs of the EEC nations. We do, however, seek to remind them of their international obligations. We do remind them that one year ago the agriculture members of the OECD agreed at Paris on the following:

"The solution of domestic agricultural problems should not jeopardize international trade in agricultural products. To this end, member countries and groups of member countries should formulate their agricultural policies in the light of international trade responsibilities as well as of domestic considerations.

"In view of the necessity for agricultural producing nations to remain acutely aware of their international responsibilities in the trade field, they should avoid stimulating uneconomic production which jeopardize the development of international agricultural trade."

Whatever domestic agricultural programs they may choose, we do intend to press for continued fair, competitive access to their markets for our proportionate share. We do intend to emphasize to our free world partners and our NATO allies that our ability to continue to make our very

(more)

USDA 3923-63



substantial contributions to that partnership and that alliance -- contributions that began with the Marshall Plan and that include Food for Peace and other assistance all over the free world -- our ability to continue these contributions depends on their willingness to assure us access to their markets in order that we can achieve a balance of payments position that make such contributions possible.

We do intend to press for these principles of access to markets and expanding trade in agricultural products in all of the forums and negotiations in which we participate. We do intend to point out that, with the kind of trading arrangements we envisage as rational developments in today's world, trade and aid can be teamed up to promote economic growth in both the so-called "developed" as well as the developing nations, to the end that we can make a reality of the promise of abundance that today's science and technology make possible.

We hope, and will continue to work, for conditions that will enable us to expand our exports of farm products. Meanwhile let us look at what effects this year's (fiscal 1963-64) record exports can be expected to have on American agriculture.

Wheat exports in 1963-64 are currently estimated at one billion bushels, assuming prospective sales of about 200 million bushels to the Soviet Bloc. This would be about 350 million bushels more than was exported last year. These larger wheat exports and a slightly smaller wheat crop this year will permit us to reduce our large carryover stocks by about 450 million bushels. But we still will have between 700-800 million bushels on hand next June 30. Carryover stocks will be 100-200 million bushels

more than the amount we need to carry for stabilization and security reserves. We will have ample stocks of wheat and feed grains on hand.

Substantial savings in government costs will take place if wheat stocks decrease by the expected 450 million bushels. Government costs for storage, interest, transportation, and moving wheat into and out of storage have amounted to about 25 cents a bushel a year. On the average, wheat taken over under government programs has been held about five years. Thus, total government costs for each bushel taken over have averaged around \$1.25 a bushel. Therefore, reduction in wheat stocks by 450 million bushels this year could mean eventual savings in government costs for storage, transportation, interest, and handling of \$500-600 million. These sales also mean that we will recover most of the purchase price of the wheat when we took it over.

Larger agricultural exports will make an important contribution to improvement of our balance of payments position. Total commercial sales for dollars may advance to \$4.2 billion this fiscal year as compared with \$3.5 billion last year. Wheat, cotton, and soybeans account for most of this expected rise in dollar sales.

These record exports, however, do not significantly change the production, price and income problems of American agriculture; and even the prospect of expanding exports cannot, standing alone, be regarded as the long-term solution of our agricultural problems.

In the first place we must recognize that the high level of wheat exports this year will be the result of extremely poor crop conditions not only in the USSR and Eastern Europe, but also in most of Western

Europe. Although unfavorable conditions could occur next year, we should base our plans on the expectation of more normal harvests in the rest of the world and a normal long-run level of wheat exports.

We need to keep in mind that despite poor crops in Europe and the Soviet Union, world wheat production in 1963 is near record volume. We also need to recognize that recovery of wheat production to previous levels in the Soviet Union and Eastern Europe may occur next year. In the United States, spring wheat yields per seeded acre nearly doubled from the drought year of 1936 to 1937. A similar change is possible in the new lands area of the Soviet Union next year. The Soviet Union has had annual exports of 175-225 million bushels of wheat and substantial amounts of other grains in recent years. It may well again become an important exporter of grain during the next few years.

In the second place, we must note that the expected rise in exports of wheat is small compared with our total grain production capacity. This year we will harvest about 190 million tons of wheat, rye, corn, barley, oats, and sorghum grain from about 153 million acres. If we export 200 million bushels of wheat to the Soviet Bloc this would be equivalent to the output from about 7 or 8 million acres. But 7 or 8 million acres still is very small compared with the acreage available for increasing grain production. We have about 25 million acres in the feed grain program and also other acres that could be used to expand grain production.

The best information we have available indicates that a net addition of 40 million acres of cropland would readily go into production

by 1967 in absence of effective land-use adjustment programs. Crops would again be harvested from 330 million acres or more, instead of the 291 million expected this year.

Finally, in the third place, we need to remember that crop yields are rising. Our agricultural production capacity is increasing. Programs to improve farm prices and incomes and to achieve an agricultural production pattern that is balanced with market outlets, including foreign markets, will be essential in the years ahead. This highlights the crucial importance of our vigorous efforts to maintain and expand our access to markets abroad.

We need to consider foreign markets both in the developed countries and in the underdeveloped countries. About two-thirds of our agricultural exports go to developed countries and about one-third to the underdeveloped. This also is true of total exports. Less than 2 percent of our agricultural exports have gone to Eastern European countries in the last few years.

It is important to note that our exports are distributed between the developed and underdeveloped countries in about the same way as total income. Developed countries outside the United States (excluding the Soviet Bloc) account for about two-thirds of world income and the underdeveloped for about one-third. Developed and underdeveloped countries each import about \$20 worth of all products for each \$100 of income. They import from the United States about \$1 worth of agricultural products for each \$100 of income. Economic growth and income abroad means larger foreign markets for agricultural and industrial products for the United States.

(more)

USDA 3923-63

In the last decade, imports of agricultural and industrial products by foreign countries have moved upward at about the same rate as economic growth and increases in income abroad. We believe this also will be true in the decade ahead.

If incomes and imports of foreign countries increase at 1950-61 rates, total agricultural exports of the United States would increase to \$9-10 billion dollars by 1980 or nearly double the amounts in the last few years. The developed countries would be importing about 55 percent of the total and the underdeveloped about 45 percent.

Much depends upon what we do to build foreign markets. Agricultural trade will not be increased to the full extent possible and desirable without both effective foreign market development programs and programs to promote economic growth in developing countries.

We need to recognize that agricultural production capacity in developed countries abroad also is being increased by modern technology at a rate more rapid than growth of population and domestic market outlets. These countries face farm production, price, and income problems similar in many respects to those of the United States. On the other hand, agricultural production in the underdeveloped countries is not increasing as rapidly as necessary for accelerating national economic growth. Moreover, it is not likely to do so for some years ahead. It will take time to improve agricultural technology in these countries.

Expanding our agricultural trade on a mutually beneficial basis with other countries requires that attention be given to the following five points:

(more)

USDA 3923-63



1. Development of domestic agricultural programs that support farm prices and incomes but avoid output in excess of quantities that can be used. We recognize that other countries also have farm price and income problems when advancing technology causes farm output to increase more rapidly than market outlets. Countries that have relied upon imports to meet a substantial part of their requirements for agricultural products may find it convenient to satisfy a larger part of their requirements from expanding domestic production. Where this is done by pursuing protectionist policies for domestic agriculture that reduces imports from lower cost sources abroad, it obviously interferes with agricultural trade expansion and the international specialization in agricultural production required for improving welfare of people in exporting as well as importing countries. Thus our position in international negotiations is that other countries, not just the United States, have obligations to avoid excessive agricultural production that results in price-depressing surpluses in world markets. In a common interest in better international economic and political relationships, they, too, are obligated to keep access to their markets open to efficient producers.

2. Encouragement of multilateral trade. Freer trade policies, not increased impediments to trade, are required for rapid economic growth of underdeveloped as well as developed countries. It is recognized that removal of tariff and other barriers to trade must be a gradual process, in order that appropriate internal adjustments can take place, and that incomes of those affected can be protected. At the same time, we need to move ahead with gradual reduction of tariff and other barriers to expansion



of foreign trade. The Trade Expansion Act of 1962 provides a new vehicle for expanding world trade. Agricultural products need to be considered together with industrial products. We have insisted upon this in arrangements being made for tariff reduction negotiations that will get underway under GATT next May in Geneva, Switzerland.

It is often said that trade is a two-way street. Of course, a country must be able to sell abroad in order to buy abroad. But international trade takes place on numerous streets. International trade accounts are not balanced on a simple product-for-product or country-by-country basis. Many nations, in varying degrees, engage in bilateral trading arrangements. But it should be recognized that bilateral trade is an inadequate answer to modern needs. Bilateral trading violates economic laws of comparative advantage; it imposes obstacles to the optimum allocation of the world's resources. It prevents the free determination of the real value of a country's currency. By limiting competition, it imposes rigidities upon production and price structures. It represents a closed, rather than an open, trading society. Only through the multilateral approach can we meet the needs of this mid-Twentieth Century.

3. Sharing markets with one another. Completely free trade obviously is not possible immediately or even desirable. This is especially true in the case of agriculture where, in the absence of stabilization measures, wide variations in production from one year to the next lead to even wider variations in prices for farm products. Prices of agricultural products in international markets need to be stabilized to avoid catastrophic fluctuations in export earnings that otherwise would occur from one year to the next for many countries. I have suggested that

national agricultural policies be harmonized, working through the medium of international commodity agreements such as those envisaged in the setting up of GATT Cereals, Meat, and Dairy Groups. Measures are especially needed to stabilize and gradually improve the foreign exchange earnings of the less developed countries. Many underdeveloped countries rely upon agricultural and other primary products for 70-80 percent of their export earnings.

4. Food aid for accelerating economic growth in underdeveloped countries. Expanding agricultural production capacity in the developed countries can make essential contributions to economic growth of underdeveloped countries. As I pointed out earlier, developing countries find it difficult to expand food production as rapidly as required to keep pace with increased demands resulting from population and income growth. We have a humanitarian interest in helping less fortunate people abroad. But we also have an economic interest in seeing the less developed countries achieve economic growth. It will enable them to become better markets and better trading partners. The developed countries must make effective use of their growing agricultural abundance to build a basis for increased trade in the future, in the great, untapped potential markets in developing nations.

The United States has been the pioneer in providing food aid, and certainly the experience of the United States demonstrates the value of aid in promoting trade. The first dramatic program of aid on which the United States embarked was the Marshall Plan. The nations that received assistance under that program are now among our best customers. Our Food

(more)

USDA 3923-63

for Peace program has already resulted in substantial market gains. Japan, a former beneficiary of Food for Peace, is now the largest single commercial purchaser of American farm products. Other countries like Spain, Israel, Greece and Formosa, are becoming cash customers.

If the developed nations of the world, those with surplus productive capacity that can be channeled into aid for rapidly developing nations, could fully realize the extent to which such aid could rapidly be translated into an expansion of commercial trade, a coordinated program could be developed. Such a program should include worldwide liberalization of trade. It should include a sharing among all the prosperous, highly developed nations, of the effort to provide essential aid to developing nations. It should include a recognition of the need for those developing nations to export products, in many instances primary agricultural products, and it should therefore provide for stabilization of prices and expansion of markets for those products. It would both impose obligations and provide benefits for developed and developing nations alike.

5. Accelerating progress in improving agriculture in underdeveloped countries. Economic development in the less developed countries will require more than food aid shipments. Food requirements in less developed countries resulting from population and income growth are expected to increase at a rate around 4 percent a year. The bulk of the food consumed by people in underdeveloped countries still will need to come from domestic sources. There is great need for finding ways of increasing agricultural output and productivity in the less developed regions. Without it, national economic growth will be slow if not impossible. Agriculture

is the dominant economic sector in underdeveloped countries, accounting for 60-80 percent of the total labor force and for nearly half of national income. Emphasis on improving the handling, marketing, and processing of food and fiber also is important both in maximizing the contribution of domestically produced farm commodities and in utilizing food aid contributions.

We are faced with challenges and opportunities for service in agriculture on a world-wide basis as great as those in any area. Two-thirds of the people of the Free World live in less developed countries. The challenge of agriculture in these countries is to provide adequate nutrition for the people, and to promote economic growth by supplying food at low cost, by releasing workers for industry, by supplying capital for other economic sectors, and by earning foreign exchange through exports.

U. S. agriculture has done an outstanding job of contributing to our national economic growth in all these ways. We are challenged today to make the most effective use of our resources for technical assistance and food aid to accelerate agricultural development abroad and thereby contribute to national economic growth of the underdeveloped countries.

I believe that trade and aid, together, are essential if American agriculture is to maximize its contribution toward greater prosperity and higher levels of living both at home and abroad. They are important aspects of the whole, complex framework within which we seek to provide American farmers with the opportunity to earn higher incomes. They are indispensable if we are to make the promise of abundance a reality in this world.









OUTLOOK FOR FEED IN 1964

Talk by Malcolm Clough  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 9:50 A.M., Wednesday, November 20, 1963

Feed grain production this year is 6 percent larger than in 1962 and only a little below the record output in 1960. With the smaller carryover stocks, the total supply for 1963-64 is about equal to the 1962-63 supply. Feed grain production is expected to be only a little below total requirements for the 1963-64 marketing year. Carryover stocks probably will be reduced about 3 or 4 million tons, much less than in the past 2 years. Both domestic and foreign demand will continue generally strong. Feed grain and high-protein feed prices probably will average near the 1962-63 level.

The Feed Grain Program which has played an important role in the feed situation during the past 2 years will continue to influence feed grain supplies and prices in 1963-64. This year, feed grain price supports will be divided into price support loans and the price support payments. While the total supports are a little higher than in 1962, the loan rates are lower--down from \$1.20 to \$1.07 per bushel for corn. On the other hand, CCC will not sell feed grains this year against 1963 certificates at less than the loan rate plus carrying charges. This will be a factor tending to strengthen feed grain prices.

The total supply of feed grains and other concentrates for 1963-64 was estimated in October at 247 million tons, slightly higher than in 1962-63, but 13 million tons below the record supply in 1960-61. Feed grain carryover into 1963-64 is down 9 million tons from last year. However, this decline is slightly more than offset by larger feed grain production and increases in prospect for byproduct feeds and wheat feeding.

The larger feed grain crop this year resulted from both increased acreage and higher yield per acre. During the past 3 years, farmers have reduced their feed grain acreage well below the 1959-60 level through participation in the Feed Grain Program. This year, farmers signed up to divert 25.7 million acres compared with 28.2 million acres actually diverted in 1962. The acreage planted this year was 3 percent above 1962, but is 14 percent below the 1959-60 level. This year's crop, however, was practically equal to the 1959-60 output, since the reduction in acreage was nearly entirely offset by the upward trend in yield.

The 1963 feed grain crop, estimated at about 152 million tons, is second only to the 1960 crop. Production this year is expected to come closer to meeting total domestic and export requirements than in the past 2 years when output averaged 11 million tons below total utilization. A small increase is in prospect for livestock numbers in 1963-64 and domestic use probably will be a little greater than in 1962-63. The 1963 feed grain crop, however, may be only 3 or 4 million tons below total requirements.

Carryover stocks of feed grains are expected to be reduced to about 59 million tons at the close of the 1963-64 marketing year. This would be the

third year of declining stocks following the steady buildup from 1952 to 1961. The total carryover this year is about 22 million tons below the record high of 85 million tons reached in 1961.

The total corn supply for 1963-64 was estimated in October at about 5.3 billion bushels, slightly larger than in 1962-63, but nearly 400 million below the record supply of 1960. The 1963 crop reached a new record high of slightly over 4 billion bushels, as a result of a 4-million-acre increase in plantings and a slightly higher yield per acre than in 1962. In the past 3 years, farmers have reduced corn acreage substantially below the 1959-60 level through participation in the Feed Grain Program. Acreage planted this year was about 16 percent less than in 1960. But this was more than offset by increased yields per acre. Yields have trended upward at about 5 percent per year during the past 10 years. Based on present prospects, the reduction in corn stocks in 1963-64 will be much less than in the past 2 years. The carryover into 1964-65 probably will be around 1.2 billion bushels, compared with 1.3 billion this year and 2.0 billion in 1961-62.

The sorghum grain supply for 1963-64 is estimated at 1,180 million bushels, slightly larger than in 1962-63. Sorghum grain production, like corn, is a little larger than in 1962 as farmers planted about 10 percent more acreage to sorghums. The carryover of sorghum grain was only slightly smaller than last year, but about 50 million bushels below the record carryover of 702 million bushels in 1961.

Supplies of oats and barley for 1963-64 are a little smaller than a year ago. Supplies of both these grains have declined in recent years. The oat supply is 16 percent below the 1957-61 average and the smallest since 1939. The barley supply is about 10 percent below average. Much of the reduction in the barley crop this year was in the Northern Plains area and in California where the crop was 10 percent smaller than in 1962.

Feed grain prices in 1963-64 are expected to remain near the 1962-63 level. The generally good demand in prospect for feed grains and the change in CCC Sales Policy will tend to hold prices up, in spite of larger production and lower loan rates.

The Feed Grain Program was changed this year to include a payment-in-kind as a part of the price support. In the case of corn, the total price support is \$1.25 per bushel--5 cents per bushel higher than 1962. But it includes a loan rate of \$1.07 and a payment-in-kind feature of \$0.18 per bushel. Similar changes were made in the price supports for sorghum grain and barley.

Corn prices rose more than seasonally during 1962-63 and averaged close to the support level during July-September. The short supplies of "free" corn were largely responsible for the rise that sent prices above the loan rate for the first time in 4 years. With the harvesting of the record 1963 crop, corn prices have declined since early October and they probably will average below the loan this fall and winter. As marketings from the current crop decline, the new CCC Sales Policy for corn is expected to be important in influencing prices next spring and summer. Under the 1963 Feed Grain Program, sales will not be made at less than the loan rate plus reasonable carrying charges.

The reasonable carrying charges used to determine the formula price for such sales are announced on a month to month basis and the exact formula prices

for 1963-64 are not known at this time. However, if the formula price is increased about in line with the increase for carrying charges which applied to sales of storable corn for unrestricted use last year, the sale price for corn would rise 7 to 9 cents per bushel above the loan rate by late spring and summer of 1964.

Advancing feed grain prices in 1963 were accompanied by a decline in the average price level for livestock and livestock products. This relationship has tended to narrow the price gap between feed grains and livestock from the favorable level that prevailed during most of the period from 1958 through 1962. Less favorable livestock-feed price ratios are expected to temper the upward trend in livestock production of recent years and also to limit any further increases in the feeding rate per animal.

Feed grain exports are expected to continue heavy in 1963-64. Feed grain exports increased sharply from 1956 to 1961 when total exports reached a record high of over 17 million tons. In 1962-63, exports declined slightly from that record level. Increased feed supplies in Western European countries, including more low quality wheat, may influence demand for U. S. feed grains in 1963-64. The prospective heavy movement of wheat from this continent also may limit the transportation facilities available for moving feed grains, and total exports in 1963-64 may fall slightly below the high level of the past 2 years.

Exports to the Common Market countries and total exports to Europe continued at a high level in 1962-63. The 6.3 million tons of feed grains exported to the Common Market countries in 1962-63 was about 1 million tons more than in the previous year. Exports to these countries accounted for more than a third of all feed grains exported from the United States. Some reduction in exports to these countries seems probable in 1963-64 in view of their larger domestic supplies. On the other hand, the general grain shortage in a number of European countries, especially the Soviet Bloc, may stimulate additional feed grain exports to those countries later in 1963-64.

The total quantity of high-protein feeds fed to livestock is expected to increase about 3 percent in 1963-64, continuing a long-term upward trend. This year's rise will be due largely to increased soybean meal production which has accounted for most of the increase in recent years. The average price of soybean meal at Decatur has increased steadily since 1956-57, reaching an average of \$71.30 per ton in 1962-63. This rise in price has accompanied increasing production of soybean meal and reflects the growing demand for soybean meal and high-protein feeds generally in recent years. With continued strong domestic and export demand in prospect for 1963-64, soybean meal prices are expected to at least equal the 1962-63 level when they were the highest in 9 years.

Now, let's turn briefly to the projections of the feed situation to 1967-68. These are a part of the overall appraisal of prospects for agriculture during the next 5 years. These projections are based on the assumption that the current Government Programs for Agriculture will be continued to 1967-68. For feed grains, it is assumed that provisions will be similar to those under the 1963 and 1964 programs. The price support levels assumed here are the same as those that have been announced for the 1964 feed grain crops. The corn price support level will be \$1.25 per bushel with the loan rate \$1.10 and the payment-in-kind \$0.15 per bushel. Comparable price support levels will be available for other feed grains. It is assumed that feed grain prices would average close

to the loan rates. Prices at these levels would be about the same as the 1962-63 average.

One of the objectives of the current program is to reduce stocks to a desirable level, indicated by the Department of Agriculture to be around 45 million tons. Under the current Feed Grain Program, it is assumed that stocks would be reduced to this level by the beginning of the 1967-68 marketing year. After stocks reach this level, the program could then be adjusted to induce only that participation necessary to produce feed grains needed for current requirements.

These projections assume that the upward trend in exports, underway during the past decade, will continue during the next 5 years. Exports will continue to be influenced by rising foreign demand for feed grains, especially in European countries and Japan. Total feed grain exports for 1967-68 are projected at around 20 million tons, about 20 percent above the level of the past 2 years. It is recognized in making this projection that the recent Common Market trade arrangements and also the uncertainty as to whether Soviet Bloc countries will be in the market for U. S. feed grains creates uncertainty about the future level of feed grain exports.

Domestic feed grain requirements for 1967-68 are based on the projected livestock numbers and production. The 1967-68 projections for livestock are based on the above feed grain prices with assumed ample feed supplies. They also take into account the increasing population and the prospective demand for livestock products. Based on the domestic demand and export projections, it is estimated that about 168 million tons of feed grains would be required in 1967-68, 15 million tons more than total utilization in 1962-63. Total feed grain requirements for 1967-68 include an allowance of 14 million tons for domestic food, industry and seed, and around 20 million tons for export, in addition to 134 million tons required for livestock feed.

Total feed grain production needed to meet domestic and export requirements of around 168 million tons would be about 25 million more than the 1962 production. Much of this increase in production would be attained through an increasing yield per acre, if yields rise at the rates projected in this study. The projected yield per acre for 1967 is about 24 percent above the 1959-61 average. The projected yield assumes a more gradual increase than during the past 10 years, when yields increased about 5 percent a year. Feed grain requirements with yields at that level could be produced on about 110 million acres, or only about 6 percent more than the acreage harvested in 1962. Based on these projections most of the increase in production for meeting future requirements would come from higher yields per acre and only a moderate increase in acreage would be required.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

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OUTLOOK FOR LIVESTOCK AND MEATS

Talk by Anthony S. Rojko and Donald Seaborg  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 11:00 A.M., Wednesday, November 20, 1963

Some improvement in hog prices is in prospect in 1964, but little change is seen in cattle and lamb prices. Cattle marketings will increase again but likely no more than can be absorbed by the gain in population, increase in consumer incomes and continued preference for beef. With increased marketings and little change in price, cash receipts from cattle and calves will be up next year from the estimated \$8.1 billion in 1963. Cash receipts from hogs will also be up but cash receipts from sheep and lambs are expected to be about the same as in 1963.

Consumers will eat 6 pounds more red meat in 1963 than they did a year earlier. Consumption of beef will set a new record of about 95 pounds per person, up 6 pounds from 1962. Pork consumption will be up about a pound, while consumption of veal, lamb and mutton will be down about a pound. Prospects are for a 2 pound increase in the supply of beef for 1964. However, this increase will be largely offset by some declines in the per capita supplies of pork, veal, and lamb and mutton. Therefore, per capita supplies of total red meat available for consumption in 1964 likely will continue at the high level of 170 pounds per person established in 1963.

CATTLE

Beef producers experienced price difficulties in 1961 and again in 1963. Prices for Choice steers at Chicago dropped to an average of \$22.38 in July 1961 and were down again to \$22.61 in May 1963 after reaching a high of \$30.13 in November 1962. These price difficulties and sharp price movements occurred even though the demand for beef is rising and the cattle cycle is in its expansion phase. Sharp variations in fed cattle marketings in the past several years have been the major cause of these price gyrations. These variations may result from a sharper division of the cattle industry into 2 clearly defined stages of beef production: producing calves and converting feed concentrates into meat.

Cattle on farms and ranches on January 1, 1964, will be close to 107 million head--up 3 percent from the 103.8 million a year earlier. Since the number of cattle kept for milk production is expected to decrease by about 3 percent, the gain in beef cattle numbers may be up as high as 5 percent. The beginning inventory next year will provide the basis for a further increase in beef production during 1964. More important, a larger basic cow herd will furnish the source for future increases in the supply of feeder cattle suitable for feedlot fattening. Continued optimistic long-run outlook for the demand for beef likely will encourage further expansion and a build up of 2 to 3 percent is in prospect for next year.



Even with further expansion in cattle numbers, cattle slaughter will increase again in 1964. With reasonably normal weather conditions, prospects are for an increase in commercial cattle slaughter in 1964 of about 3 to 4 percent above the 27.3 million head expected in 1963.

The gain in beef production in 1964 may be a little smaller than the increase in number of cattle slaughtered because marketings likely will be at lighter weights. With consumer incomes likely to advance further in 1964 and with continued consumer preference for beef, prospects are that cattle prices for the year as a whole will not differ much from the expected average of \$24.00 for 1963 (Choice steers at Chicago).

The number of cattle moving through feedlots will again increase in 1964. The number on feed on January 1, April 1, July 1, and October 1 of this year was up 11, 11, 12, and 10 percent above the respective dates a year earlier. Heavy marketings of fed cattle late this year will continue into early 1964 and prices probably will average \$1.00-\$2.00 below the January-March 1963 average of \$25.28 (Choice steers at Chicago).

Placements of feeder cattle this fall and winter will determine marketings in the final 3 quarters of 1964. If the number of feeders placed is up 5 to 10 percent this fall and winter (the supply of feeders is sufficient to achieve this), prices of high-quality cattle in the second and third quarter would probably continue to average \$23.00 to \$24.00, followed by price improvement in the fourth quarter. However, the movement of feeder cattle thus far this fall has been slow, although feeder prices in October and early November were \$2 to \$3 a hundred pounds under a year earlier. Thus, if large numbers are roughed through this winter instead of going into feedlots, fed cattle prices would show some improvement by spring. In that case, however, serious price problems could develop toward the end of 1964 and early in 1965.

Prices of cows in 1964 will depend on imports of beef as well as on domestic cow slaughter. Cow prices have been relatively stable in the past 3 years. Substantial increases in imports of beef in 1962 and again in 1963 have offset the low level of domestic cow slaughter. Cow slaughter in 1964 is expected to be up but only by a moderate amount. Imports will likely be up again in 1964. Prices of cow beef, although expected to be somewhat lower, will not be down enough to curb beef imports.

What is the outlook for the cattle industry during the next 5 years? This analysis includes the following assumptions: (1) Continuation of current farm programs, including the 1964 program for wheat. (2) Population growth of 1.7 percent per year which is the same as in the past decade. Population in 1968 would then be 9 percent more than in 1963. (3) Consumer incomes are projected 11 percent above 1963 levels.

On the demand side, prospects for beef continue to be favorable. Experience in the past decade suggests that normal gains in population, income, and continued preference for beef make it possible for consumers to absorb annual increases in beef production in the neighborhood of 3 percent and still maintain relatively stable prices to cattle producers. In 1961-63, consumers

bought 14 percent more beef per capita than they did in 1953-55. During the same period, the average price received at the farm for all beef cattle increased from \$16.00 to \$20.55, an increase of 28 percent. Consumer purchasing power also increased 13 percent. After allowing for changes in consumption due to larger population, higher levels of income, and changes in relative prices, per capita demand for beef appeared to increase at an annual average rate of about 1 percent per year. Consumers have registered a continued strong preference for beef in the last 3 years. For example, per capita consumption of beef in 1963 will be 95 pounds, about 7 pounds higher than in 1961. Prices in 1963 are little different from those in 1961.

Consumers likely will continue to show a preference for beef. On this assumption, per capita consumption of beef likely will exceed 100 pounds in 1968 compared to 95 pounds estimated for 1963 and 89 in 1962. And consumers will pay for this consumption at prices which would maintain cattle prices to farmers close to the average of \$20.55 obtained in 1961-63.

Projecting the probable amount of beef consumption in 1968 and the corresponding cattle prices is risky business since it would require predicting the exact phase of the cattle cycle and the level of imports. Prices would be below the 1961-63 average if in the liquidating phase and above if herds are building up substantially.

The current "cattle cycle" began its expansion phase in 1958 and is now at the stage where supplies can provide increases in per capita production of beef as well as support continued expansion in the herd. For example, we can increase cattle slaughter in 1964 by 3 percent and still increase total inventories by another 3 percent. If this situation would develop to the point where the potential supply of beef and the annual increase in production would become greater than could be consumed at constant prices, prices would fall and downward adjustments in inventories would follow.

The present cattle cycle is in its sixth year, the previous cycle lasted 10 years, and the one before that 12 years. However, expansion of cattle feeding in recent years sets this cycle off from the rest. There are other factors too, but they are all related to the shift toward feedlot finishing. By the close of 1963, total cattle numbers on farms will have increased to 107 million head, almost 16 million above 1958. This is a slower buildup when compared with previous cycles. We are also slaughtering a smaller percentage of the calf crop as calves, yet the average age of cattle slaughtered is lower. This means that when cattlemen begin to liquidate herds, there will be a smaller backlog of steers over 2 years old to move to market. Thus, if the liquidation phase should begin in the next 2 years, it could be of shorter duration, in contrast to earlier cycles where this phase had always been longer than the buildup.

## HOGS

Barrows and gilts at 8 major markets averaged \$15.65 in January and declined monthly to a low of \$13.78 in April. Hog prices quickly rose \$4.66 to \$18.44 in July only to make another rapid decline to an average of \$15.56 in October (4-week average). Hog prices didn't hold constant in 1963 because slaughter rates also kept moving up and down. Slaughter was especially large during late winter and late summer compared with the same weeks a year earlier. During these 2 periods, hog prices fell below year-earlier levels by the widest margin.

Such high rates of slaughter in late summer precipitated lower prices. Barrows and gilts at 8 major markets dropped \$1.44 from the last week in August to the first week in October.

Several factors affected the hog supply situation this fall. Good growing weather this year in many of the more important hog-producing areas tended to put hogs in market flesh a few weeks earlier than usual. During similar weeks of 1962 some hogs were withheld from the market, which tended to overstate the increase in supply this year. In addition, the number of sows farrowing from September 1963 through February 1964 is expected to be down from the same months last year. Fewer gilts may be going into the basic sow herds during this period, which would also add to the available supply of slaughter hogs.

However, the number of hogs slaughtered in summer and early fall was probably large enough to lower the supply of slaughter hogs to the point that slaughter rates will have to fall below year-earlier rates during some of the remaining weeks of 1963. Hog slaughter under Federal inspection so far in the second half of 1963 has been more than 1.4 million head higher than in the same period last year. Hog prices probably will not attain last year's fourth quarter average of \$16.51, but their seasonal decline may be interrupted somewhat before the end of the year.

Large supplies of other meats and unusually large stocks of pork in cold storage are also affecting hog prices. Stocks this October were down 10 million pounds from a month earlier, but were 71 million above the October 1962 level of 139 million pounds.

The June-November 1963 pig crop likely will be down slightly from a year earlier. In the 10 Corn Belt States June-August farrowings were up about 2 percent, but September-November probably will be down about 3 percent. Breeding intentions reported in these same States in September indicate that farrowings may be down slightly in December-February from a year earlier; March-May litters may also be down. Therefore, slaughter supplies in 1964 are expected to fall below year-earlier levels before the beginning of the second quarter and then remain below the remainder of the year. Hog prices since March 1963 have not been favorable in relation to corn prices, but likely will become more favorable again next spring. On balance, the business of hog raising is expected to be a little more profitable in 1964 than it was this year and prices are expected to average a little higher than in 1963, in response to lower per capita supplies.

## SHEEP AND LAMBS

Number of sheep and lambs on farms has continued to trend downward from the record-high 56.2 million head in 1942. On January 1, 1963, the inventory of all sheep and lambs on farms was 30.2 million head. Beginning 1964 inventory is expected to have declined further to between 29.3 and 29.7 million, the lowest since records were begun. And the size of the national sheep flock may shrink again next year although likely at a slower rate than in 1962 or 1963.

The 1963 lamb crop, 19.7 million head, was 3 percent smaller than a year earlier. A smaller volume of slaughter this year partly reflected the decline in the lamb crop. In the first 6 months of 1963, commercial slaughter of sheep and lambs was lower each month than in the corresponding month of 1962. Commercial slaughter in the first half was 9 percent below January-June 1962. Slaughter increased in July to 2 percent above a year earlier, but in August was 5 percent below. Through September, commercial slaughter was down 7 percent. In the first 3 weeks of October, slaughter under Federal inspection held about even with a year earlier.

Prices received by farmers for sheep were higher than a year earlier each month through the first 8 months of 1963 but were a little lower in September. They are expected to remain a little lower than last year during the rest of 1963. Feeder lamb prices in 1963 were substantially above those of 1962 until September. Denver prices were more than \$3.00 higher early in the year. The difference narrowed to about \$.50 in August, and prices in September were almost the same as a year earlier. In October, prices were between \$.75 and \$1.00 below October prices last year.

The outlook is for the number of sheep and lambs on feed January 1 to be down about 5 percent from a year earlier, when 4.0 million were on feed. The 1964 lamb crop probably will be down between 4 and 5 percent, because the number of ewes 1 year old and older at the beginning of 1964 likely will be down a little more than in the last 2 years. Slaughter probably will again be down a little next year. However, prices likely will average about the same as in 1963, reflecting stiff competition from beef.









UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR DAIRY PRODUCTS IN 1964  
AND BEYOND

Statement by A. G. Mathis and Robert H. Miller  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 2:00 P. M., Wednesday, November 20, 1963

In a compact package, here is the 1964 dairy outlook: Production will equal 1963 levels, commercial demand probably will increase less than the population, and excess dairy products will continue to move to the Commodity Credit Corporation. Prices to farmers and to consumers for dairy products will average about the same as a year earlier. Cash receipts from farmers' sales of dairy products are likely to increase slightly over 1963 in line with larger marketings. Offsetting near-record cash receipts to dairymen will be rising production costs.

This outlook is based on continuation of the present dairy support program with supports at 75 percent of parity. The actual support levels for the marketing year which begins April 1, 1964, will be announced before that date. However at Outlook time this year, as last year, proposals for new dairy legislation are being considered by Congress. Milk production, marketings, consumption, prices, and farmers' returns from dairying in 1964 and later will be affected by the kind of dairy program that arises from these proposals.

Now, what are some specific elements of the 1964 and long-term dairy outlook? Milk production the first 10 months of 1963 was about 1 percent below a year earlier. Reduction of milk cows on farms in 1963--down close to 3 percent--is a continuation of the downtrend since the 1944 peak in the nation's milk herds. Gains in production per cow this year and those anticipated early in 1964 may not be enough to offset the smaller number of milk cows. An additional factor limiting production is below average roughage supplies in several important dairy areas.

The consumption picture is improved this year, particularly for commercial sales. Civilian consumption of milk from all sources in 1963 is increasing by about  $1\frac{1}{2}$  billion pounds above the 116.4 billion in 1962. The major reason for this record high consumption is increased sales of fluid milk, American cheese, and ice cream. Donations of government-owned dairy products are up just slightly this year. Indications are that sales of fluid milk products are increasing 2 percent. Per capita consumption of milk in all forms in 1963, an expected 635 pounds, is about the same as in 1962.

In 1963 consumption per capita of cheese is again increasing substantially. Ice cream and frozen desserts are up slightly and nonfat milk consumption has regained a part of last year's loss. Most other changes in consumption of dairy products, including butter, are following long-time trends.

Milk solids-not-fat consumption per capita for 1963 is likely to show a gain, the first since 1956, due chiefly to the improvement in nonfat dry milk consumption. However, the gap between production and consumption of milk solids-not-fat has narrowed only slightly from the 3 billion pounds for 1962. Milkfat consumption for 1963 will likely decline slightly below the 23.8 pounds per capita in 1962; the production-consumption gap that narrowed to 275 million pounds in 1963 from 360 million in 1962 is expected to narrow slightly in 1964.

The smaller gap between production and consumption in 1963 plus a higher rate of buildup for commercial stocks of dairy products than in 1962, is causing CCC purchases of dairy products to fall about  $2\frac{1}{2}$  billion pounds of milk equivalent. In terms of milk solids, CCC purchases of milkfat in 1963 are about  $6\frac{1}{2}$  percent of production and those of milk solids-not-fat, about  $9\frac{1}{2}$  percent.

At the end of October uncommitted CCC stocks were below year-earlier levels. There was 266 million pounds of butter, including butter equivalent of butteroil, 25 million pounds of cheese, and 393 million pounds of nonfat dry milk. Record CCC export sales and heavy overseas donations of butter and nonfat dry milk, as well as reduced purchases, are factors in this more than seasonal decline in stocks. CCC-owned stocks may decline again in 1964.

The price of all wholesale milk for January-October was \$4.05 per 100 pounds compared with \$4.07 last year. This would give an average price of \$4.09 per 100 pounds for 1963. Prices paid by dealers for milk used in bottling (Class I) during January-October 1963 averaged \$5.27 per 100 pounds compared with \$5.33 a year earlier. For all of 1963, prices to farmers for manufacturing milk will average about \$3.21 per 100 pounds, the same as in 1962. These prices were lower in the first quarter this year but have been higher since. Assuming continuation of the present support level in the marketing year beginning April 1, 1964, the average price of manufacturing grade milk, as well as the price received for all milk sold by farmers, will continue close to 1963 levels.

Over the next 5 years, the rise in population will bring an increase in total demand. But whether total demand will rise as much, more, or less than population depends on several cross-currents affecting per capita demand.

The demand for milk is a composite of demands for its many products and there have been significant shifts in the postwar period. The trends away from some dairy items have more than offset the favorable effects of rising consumer incomes, higher proportion of the population in the younger age groups, and relatively lower retail prices for dairy products. These favorable factors might have increased per capita demand for dairy products were it not for lower-priced competing vegetable fats and a conscious effort on the part of many consumers to limit intake of certain fats.

A further drop in prices of vegetable oils relative to milkfat prices and vigorous promotion of dairy substitutes, as in the past decade, may induce still further shifts in tastes and preferences of consumers away from some dairy products.

The net effect of these influences during the next 5 years is likely to be a further--but perhaps only slight--decline in per capita demand for dairy products, measured on a milkfat basis. On the other hand, some slight increase in per capita demand, measured on a solids-not-fat basis, is likely. Per capita consumption of milk solids-not-fat has been maintained in the past decade. These significant shifts in demand present a challenge for responsive adjustments in dairy production and price structures. However, the rise in total demand for solids-not-fat has had little opportunity so far to affect prices of dairy products; the supply continues to exceed market demand at equivalent of support prices by a wide margin.

Prospects are that milk supplies through 1968 will continue large despite a slight downtrend in production in 1963. The prevailing level of milk production reflects a sensitive balance among the following: (1) Rapidly increasing milk production per cow; (2) decreasing numbers of milk cows and farms with milk cows; (3) increasing size of herds on remaining farms.

The factors that brought about the increase in productivity of milk cows can be grouped under two headings: (1) Improvements in the inherent productive capacity of dairy herds; and (2) better care and more liberal feeding to utilize increased capacity. Output per cow can be expected to expand, even if there are sizable changes from current levels of milk prices.

A main unknown in projecting major changes in milk production is the number of farms with milk cows, since this affects total cow numbers. For a number of years there has been a net relative transfer of resources out of dairying. The rate of such transfer has depended considerably upon the relationship between beef prices and milk prices.

A brief letup in the transfer out of dairying could lead to a substantial rise in milk output within a comparatively short time. All too clearly remembered is the rise of 3.9 billion pounds in milk production from 1959 to 1962 when the average decrease in milk cow numbers on farms slowed to 1.5 percent. The 1944-59 average annual decrease was 2 percent.

The number of beef cattle has climbed rapidly in the last few years, but beef producers have encountered recurring price difficulties. Even with a rather optimistic long-run outlook for beef demand and reasonably normal weather conditions in the next 5 years, beef prices are not likely to reach the high levels of 1958-59. You may recall that heavy culling of milk cows those years brought a reversal of the 1952-56 enlargement of milk flow. Add the prospects of large roughage supplies as well as projected increases in feed concentrates to the outlook for production, and there can be no reason for projecting any significant downtrend in milk production in the next 5 years.

The Federal Government is an active factor in the dairy industry. At 1963-64 marketing year support prices for dairy products, milk marketed by farmers in the next 5 years would continue in excess of the amount required in the commercial market. Government purchases of dairy products for price support reached a record  $10\frac{3}{4}$  billion pounds (milk equivalent) in 1962 and will be around 8 billion in 1963. Purchases would be lower by 1968 mainly because the commercial market is projected to increase slightly more than marketings. It is anticipated that high levels of domestic use of CCC purchases would continue and foreign outlets would be developed to provide a regular turnover of Government stocks.

The United States will continue to be a desirable market for world exporters, but the foreign market is much less attractive to U. S. producers than domestic markets. The 1962 level of U. S. exports and shipments (exclusive of Government programs), was about 1 percent of the milk used in manufactured dairy products. For exports to be a substantially greater percentage than this, the U. S. industry will have to subsidize exports of all dairy products in much the same manner as do most foreign dairy exporting countries.



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UNITED STATES DEPARTMENT OF AGRICULTURE  
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OUTLOOK FOR POULTRY AND EGGS

Talk by Herman Bluestone  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 3:50 P. M., Wednesday, November 20, 1963

Background: The meat segment of the poultry industry--particularly "broilerdom"--has been rapidly approaching maturity. Dynamic expansion in broiler and turkey production, which characterized the decade immediately following World War II, has given way to more gradual growth. Maturity tends to favor but does not necessarily guarantee stability. This was vividly demonstrated in 1961 when the output of live poultry increased 1.3 billion pounds and drove prices down to historically low levels.

Egg production, on the other hand, has not kept pace with population growth over the last 10 years, because egg demand has been declining. Variation in annual output has been small. Prices to producers have fluctuated much more, reflecting the fact that egg consumption is not highly responsive to price. An increasing number of large specialized egg operations have been replacing a much larger number of small farm flocks. As this change approaches completion, production adjustments may become more difficult, because of larger investments and fewer operators who can get easily in and out.

Outlook for 1964: Economic signs point to a larger production of eggs and poultry in 1964. Only a small increase from 1963 appears likely for eggs, but a moderate expansion may be in the offing for broilers and turkeys. The probable level of egg production in the first half of 1964 is largely fixed by the number of laying-type chickens currently on hand. For broilers and turkeys, the outlook is not as well defined. Broiler and turkey production for all of 1964 will be subject to upward pressures stemming from continuing advances in technology and changes in industry structure and organization, which are usually difficult to gauge precisely. In addition, the pattern of broiler prices for periods of much less than a year often elude analysis, even when supplies are known.

On October 1, there were the same number of layers and potential layers on farms as a year earlier. The distribution of birds by age and class was also essentially the same. All this suggests that the National laying flock at the beginning of 1964 will be a carbon copy of the January 1, 1963, flock. However, as 1964 progresses more new layers will be added from the larger hatch of egg-type chicks last July-September. Consequently, by the second quarter next year, layer numbers may exceed the 1963 level by about 1 percent. Much of the expected larger egg production in the first half of 1964 will likely stem from an increase in eggs per layer, particularly in the first quarter. In January-March last year the rate of lay was depressed below trend by severe wintry weather.

Egg production in the second half of 1964 will be largely determined by the number of egg-type chicks hatched in the first half. It seems likely to me that the hatch during the first half will be reduced. Egg prices early



next year will probably be lower than early this year because of larger production. This would further depress egg-feed price relationships, which are already less favorable to producers than a year earlier. And it would be apt to give added impetus to the downtrend in the number of small flocks usually replenished by spring-hatched chicks. In addition, the continuing trend toward larger operations with more even year-around replacement programs would also tend to shift the hatch of egg-type chicks from February-April to the last 6 months of 1964. If a cutback does occur in the hatch during the first half of 1964, the number of layers on farms will probably be under a year earlier by early next fall, but egg production could continue higher for a month or 2 longer because of a further gain in the rate of lay. Nevertheless, the total increase in egg production in 1964 may not be great enough to maintain the civilian per capita consumption rate at the current rate--estimated at 316 eggs for 1963.

Prices to egg producers will probably be below a year earlier in the first half of 1964. And even though eggs may show a greater seasonal rise next year, the average price for all of 1964 is likely to be a little below the 34.1 cents per dozen in prospect this year.

Recent hatchery activity suggests that 1964 will open with broiler production at about the year-earlier level. Through mid-1964 there will be pressures for larger output, reflected in a larger national hatchery supply flock. However, more abundant supplies of beef in the first half of 1964 will tend to hold down broiler prices and thus limit broiler production. Slightly higher feed prices in prospect will also act to restrain broiler production. However, late in 1964, competition from red meats may lessen and broiler prices will likely strengthen. Thus, there is a prospect of a sizeable expansion in broiler production in the second half.

Civilian per capita consumption of chicken in 1964 will probably reach a new high, exceeding the 30.6 pounds currently estimated for 1963. Broilers probably will account for about 87 percent of the chicken consumption. Prices to producers for broilers in 1964 may average close to the 14.6 cents per pound in prospect for this year.

The 1963 turkey crop came to market a little earlier than expected. This appears to reflect a significant improvement in the efficiency of production this year compared with last. Although the 92.7 million turkeys raised this year is slightly above the 1962 crop, producers this year are receiving higher prices. For 1963 as a whole, prices to producers for turkeys may exceed the 21.6 cents per pound in 1962 by about 1 cent. The higher price is explained by the smaller per capita supplies this year and by an apparent upward shift in demand due to rising consumer incomes.

For 1964, a small to moderate expansion in turkey production is in prospect. Three factors in particular support such an expectation. First, turkey prices to producers in 1963 are likely to average about 1 cent or about 4 percent higher than the 21.6 cents per pound in 1962. This increase appears to have more than offset the concurrent rise in feed prices. Second, the trend toward greater efficiency in turkey production appears to have accelerated this year. At least this is suggested by the earlier turkey marketings.

Finally, the continuation of higher producer prices than in 1962 (22.2 cents per pound in September-October) is apt to discourage storage and lead to a smaller carryover of frozen turkey into 1964 than the 203 million pounds carried into 1963.

It now appears that the number of turkey breeder hens on hand at the beginning of the main hatching season will be great enough to support a sizeable increase in turkey production next year. Owners of breeder hens in 15 States reported plans to keep 1 percent more birds next January 1 than a year earlier.

Turkey prices in the main marketing season in 1964 will depend on how much expansion occurs in turkey production. A moderately larger turkey production in 1964 could probably be absorbed at an average price as high as the 22½ cents average currently estimated for 1963. This is based on prospects for a 4 percent increase in per capita disposable income, a 1.5 percent larger population, and a smaller carryover of frozen turkey.

Projections to 1968: Recent analysis indicates that if current farm programs continue, feed prices in 1968 will probably not be much different than in 1963. However, further gains in the efficiency of producing and marketing poultry and eggs over the next 5 years are expected to continue, although at a slower pace than in the past 5 years. During the same period, demand for poultry and eggs is likely to be enlarged by population growth and by further gains in per capita incomes. Despite the greater demand, somewhat lower prices are expected. Projected price declines to 1968 from 1963 are as follows: Broilers, 8 percent; turkeys, 4 percent; and eggs, 3 percent. These reductions are less than half of those in the previous 5-year period, or between 1958 and 1963.

Egg and turkey production would probably increase about as fast as in the last 5 years but broiler output would expand only about half as fast. From 1963 to 1968, broiler production is projected to expand 15 to 20 percent, turkey output about 20 percent, and egg production 2 to 4 percent. Higher cash receipts from these 3 products would much more than offset lower returns from farm chickens. Thus, total cash receipts from poultry and eggs in 1968 would reach \$3.4 billion, up a little more than 5 percent from 1963.



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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR TOBACCO

Talk by Arthur G. Conover  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 3:50 P. M., Wednesday, November 20, 1963

Total supplies of flue-cured and burley for 1963-64 exceed those of most of the past few years by a sizable margin. Total 1963-64 supplies of fire-cured, dark air-cured, and Maryland tobacco are up some from a year earlier but those of Connecticut and Wisconsin binder and the shade grown wrapper types are indicated to be smaller than for the previous year. Pennsylvania and Ohio cigar filler supplies may be nearly the same as a year earlier.

In 1963 smokers will consume a record number of cigarettes and the most cigars (including cigarillos) in 40 years. Small declines are indicated for smoking tobacco and snuff. An increase in scrap chewing tobacco about offsets a decline in plug chewing thus holding total output about even with a year earlier. The 1963 exports of unmanufactured tobacco, which normally account for a fourth of the total market for U. S. tobacco, probably will be moderately above a year earlier.

Continuing high levels of income and increasing population favor further rises in cigarette and cigar consumption in 1964. Consumption of smoking and chewing tobacco in total may not change appreciably in the year ahead, but snuff may continue a downward drift.

By the end of 1963 an Advisory Committee of the Surgeon General of the U. S. Public Health Service is scheduled to complete and submit a report on smoking and health. Whether the outlook for tobacco products will be modified to any appreciable extent by this report cannot be foreseen until its contents are made known and can be carefully appraised.

The 1964 marketing quota and acreage allotment for flue-cured tobacco will be announced by December 1, 1963, but the Secretary of Agriculture has until February 1 to announce the 1964 quotas for burley and other kinds of tobacco. Referendums will be held in which growers of fire-cured and dark air-cured tobaccos will vote on whether or not to continue marketing quotas on their 1964, 1965 and 1966 crops. Marketing quotas will definitely be in effect for the 1964 crops of flue-cured, burley, the cigar filler in Ohio, the binder types in Wisconsin and the Connecticut Valley, and Maryland tobacco. Growers of these kinds voted 3-year approval in referendums held during the past 2 years.

Government price support is mandatory for the tobaccos produced under marketing quotas. The 1963 crop support levels are 1 percent above 1962 and available data indicate that the 1964 levels will be up another 1 percent. The 1964 support levels will be established by increasing the 1959 support levels so as to reflect the relative increase between (1) the 1959 parity index, and (2) the average of this index in the years 1961, 1962 and 1963. The parity index measures the average change over time in prices of commodities and services commonly bought by farm families.

### Position of Different Kinds of Tobacco

Flue-cured: The 1963-64 total supply of this leading cigarette and export tobacco is 3 percent larger than for 1962-63 and the largest since 1956-57. The 1963 crop is about 7 percent smaller than last year's but this decline was more than offset by a 10 percent rise in carryover. During 1962-63, the domestic use of flue-cured was down slightly in contrast to normal expectation, since cigarette manufacture rose over  $2\frac{1}{2}$  percent from 1961-62 to 1962-63.

It appears likely that some further savings in use of leaf have been possible because of the larger proportion of filter tip cigarettes and perhaps some further increase in use of sheet tobacco. Exports of flue-cured in 1962-63 were about 11 percent lower than in 1961-62 and second smallest in 8 years. Exports of flue-cured in 1963-64 are expected to show a recovery, with the better quality tobacco available from the 1963 crop being a significant factor.

By early November, all except about 8 or 9 percent of the flue-cured crop had been marketed. The 1963 crop price is expected to average about 59 cents per pound, compared with 60 cents in 1962. The 1963 level of price support was 56.6 cents per pound. Through early November about 15 percent of market deliveries had been placed under Government loan, compared with 17 percent in the entire 1962 season. In each of the last 2 seasons, placements under Government loan were substantially greater than in each of the previous 3 seasons.

Burley: The 1963-64 supply of burley--second ranking cigarette tobacco and important to smoking and chewing products--is indicated to be about 6 percent more than in 1962-63 and largest on record. This year's production will probably exceed last year's outturn to set a new record and also carryover rose about 8 percent from a year earlier. Average yields per acre are estimated at a record high, with the entire burley belt average probably exceeding a ton for the first time. Domestic use of burley rose about 1 percent from 1961-62 to 1962-63 and exports rose about a sixth. Both domestic use and exports in 1962-63 surpassed any previous year. Burley auction markets will start November 25. The 1963 crop support level is 58.3 cents per pound. In the 1962 season about  $9\frac{1}{2}$  percent of the crop went under Government loan in contrast with considerably smaller proportions in the previous 6 seasons.

Maryland: The 1963-64 total supply of Maryland tobacco is indicated to be a little above the 1962-63 level which was the largest in about 9 years. The 1963 crop is down sharply due to dry weather during much of the growing season, but the sharp rise in carryover from a year earlier more than offsets this decline. Indications are that domestic use and exports in 1962-63 were below the preceding year's levels. The auction market average price for mostly 1962 crop tobacco that was auctioned last spring and summer was 53.5 cents per pound, the lowest in 5 years; about 15 percent of the crop went under Government loan. The support level for the 1963 crop is 51.8 cents per pound.

Fire-cured: The 1963-64 total supply of Virginia fire-cured tobacco is below a year earlier due to a short crop but, of Kentucky-Tennessee fire-cured is significantly above last year's long-time low. In 1962-63, domestic use of



the fire-cured types showed an increase towards more normal usings after the uncertainty arising from the rather erratic figures for 1961-62. Snuff is the principal domestic outlet. Exports of Kentucky-Tennessee fire-cured in 1962-63 dropped substantially below the unusually high figure of 1961-62. The 1963 support level for fire-cured tobacco is 39.6 cents per pound.

Dark Air-cured and Sun-cured: The 1963-64 total supply of dark air-cured tobacco is up moderately from a year earlier but there is less sun-cured because of the short crop. Domestic use of dark air-cured showed quite a drop but there was a rise in use of sun-cured. The principal outlet for these types is chewing tobacco. Exports (mainly in the form of Black Fat) were fairly near those of a year earlier. The support level for 1963 crops of dark air- and sun-cured tobacco is 35.2 cents per pound.

Cigar Filler: The 1963-64 supplies of Pennsylvania and Ohio cigar filler types are close to the levels of a year earlier, the highest for several years. Though production of these types is down, this was offset by increase in carry-over from a year earlier. Last season's crop of Puerto Rican filler was the largest in many years and October 1, 1963, stocks were the highest since 1958. Domestic use of the Pennsylvania and Ohio filler types increased substantially in the past year but use of Puerto Rican filler dropped considerably below the comparatively high level of a year earlier. Use of Cuban tobacco (out of stocks brought here before the embargo) has declined sharply and use of Philippine, Colombian, Dominican and Brazilian tobaccos increased substantially. Smaller, though significantly-increased quantities, also came from Indonesia, Paraguay, Mexico and Argentina.

Cigar Binder: The 1963-64 supplies of the Connecticut Valley binder types will reach a new low. Production this year is indicated to be down a little and carryovers also continue to decline. However, domestic use, particularly of Broadleaf, showed a significant increase in the past year.

The 1963-64 supply of Southern Wisconsin tobacco is fairly near that of a year earlier but, of Northern Wisconsin tobacco is down some. Production is indicated to be below last year's for both types; carryover of Southern Wisconsin tobacco rose but, of Northern Wisconsin declined a little. Domestic use of Northern Wisconsin was a little above the comparatively low figure of a year earlier, but use of Southern Wisconsin tobacco dropped considerably below the 5-year high of a year earlier.

Shade-grown Cigar Wrapper: The 1963-64 total supply of Connecticut Valley wrapper is a little lower and, of Georgia-Florida wrapper, appreciably lower than a year earlier. Production is indicated to be down a little in the Connecticut Valley and down considerably in Georgia-Florida. Carryover of the Connecticut Valley wrapper was fairly close to a year earlier but carryover of Georgia-Florida wrapper declined more than a tenth. Total domestic use of shade-grown wrapper tobacco slightly exceeded the preceding year's high but exports (a significant outlet for the wrapper types) showed a moderate decline.



## Tobacco Products

Cigarettes: The 1963 output of cigarettes is estimated at 550 billion--about 3 percent above 1962 and a new record. Consumption by U. S. smokers is estimated to have risen by about this same percentage and will absorb about 95 percent of the output. U. S. percapita consumption (15 years and over) rose about 1 percent in 1963 to a new high following the slight decline in 1962. Indications are that the use of tobacco per 1,000 cigarettes (unstemmed processing weight) continues to decline, and it is likely that the increase in 1963 cigarette output will not be accompanied by a proportionate gain in total tobacco used for this purpose. Retail prices of cigarettes were increased in April-July 1963 due to a number of raises in State and local taxes on cigarettes and a general advance in prices of nonfilter tip cigarettes at the manufacturer level.

Cigars (including cigarillos): The 1963 consumption of cigars and cigarillos is estimated at about 7.2 billion-- $1\frac{1}{2}$ -2 percent over the level of the previous 3 years when cigar consumption showed little change. Cigar and cigarillo consumption per male, 18 years and over, in 1963 is estimated to be up seven-tenths of one percent from a year earlier. Puerto Rican factories now account for about 8 percent of the total output compared with about 3 percent in 1960.

Smoking Tobacco: The 1963 output of smoking tobacco for pipes and roll-your-own cigarettes is estimated at about 69 $\frac{1}{2}$  million pounds--about 2 percent below 1962 and lowest this century. Imports of pipe-smoking tobacco continue to increase and will comprise about 3 percent of total 1963 consumption. Consumption of smoking tobacco per male, 18 years and over, was about 2 percent less than in 1962 and 8 percent below the 1957-59 average.

Chewing Tobacco and Snuff: The 1963 output of chewing tobacco may be near 65 million pounds, about the same as last year. An increase in scrap chewing tobacco about offsets a decline in plug chewing. Consumption of all chewing tobaccos per male, 18 years and over, held about even with a year earlier but was down more than a tenth from the 1957-59 average.

The 1963 output of snuff is estimated at 32 $\frac{1}{2}$  million pounds, 2 percent lower than in 1962 and the lowest in many years. Per capita consumption (15 years and over) is about 4 percent lower than last year and about an eighth lower than the 1957-59 average.

## Exports and Imports

Exports of unmanufactured tobacco in calendar 1963 are expected to total about 505 million pounds (about 570 million pounds, farm-sales weight)--approximately 8 percent above 1962 when they were second lowest in 8 years. For the year ending June 30, 1964, exports are also expected to be up moderately from the preceding year. In July 1962-June 1963, the major downturn in exports was to Britain. Contributing to the expected pick-up in exports are the better quality flue-cured available compared with 1962, reduced flue-cured crops of major foreign producers, and lower stocks of U. S. flue-cured in the United Kingdom.

From a longer-term standpoint, rising world consumption, high levels economic activity abroad, and the favorable gold and dollar position of many countries should assist U. S. tobacco exports. However, balanced against this will be the intensified foreign competition and trade restrictions which will continue to hamper U. S. tobacco exports. European Common Market duties are disadvantageous to U. S. tobacco unless changed in forthcoming tariff negotiations.

In Britain during April-July 1962, total use of flue-cured tobacco (gross clearances) dropped 11 percent below the same months a year earlier. This decline has generally been attributed to the publicity accompanying issuance of a report on smoking and health. For 1962 as a whole, there was a 3 percent drop in cigarette sales and an intensified trend towards filter tip cigarettes set in; filter tip cigarettes require less tobacco filler per cigarette than non-filter tips. During 1963, April-July, tobacco clearances were 7 percent above the slump level of a year earlier, but still below two years earlier.

Imports for consumption of foreign cigarette leaf rose substantially from 1957 to 1961 but have increased only a little further in 1962 and 1963. In the past year there were fairly sharp increases in the average value per pound of tobacco arriving from Turkey and Greece, the leading sources of cigarette leaf imported into this country.

#### Flue-cured and Burley Tobacco Requirements Projected to 1968

Underlying these projections is the assumption that employment and per capita disposable income will increase appreciably by 1968 and that the state of the economy then will continue to be prosperous and still expanding. Also assumed is that prices as a whole and for tobacco and tobacco products will remain relatively stable and near present levels.

The 1968 quantities of flue-cured and burley that will be needed for this country's consumption and especially for export to foreign countries depend on some factors that at this time cannot be evaluated very satisfactorily. The level of cigarette consumption by U. S. smokers in 1968 is probably more predictable than the exports of leaf tobacco which are affected by numerous policies and actions in foreign customer and competitor countries. The possible effects of the impending smoking-health report by the Advisory Committee of the Surgeon General on U. S. consumption and exports of tobacco were not evaluated in developing these projections.

Cigarette output in this country in 1968 is projected at 630 billion--80 billion or one-seventh above the 1963 estimate. Approximately 595 billion are expected to be needed for U. S. smokers and 35 billion for export abroad and shipments to U. S. Islands. The increase in population of smoking age from 1963 to 1968 will be about 9 percent, and the number of cigarette smokers may go up even more than this as the proportion of women smokers increases. The per capita (15 years and over) consumption of cigarettes in 1968 is projected at 4,200--nearly 5 percent above 1963.

Flue-cured and burley tobacco are also used in smoking and chewing tobacco but the volume consumed in these forms is relatively small compared with the volume used in cigarettes. It is expected that the quantity of tobacco required by these products will decline some by 1968.

The cigarette output and other tobacco product output in 1968 may require about 880 million pounds (farm-sales weight) of flue-cured and 595 million pounds of burley. Use of both kinds at these projected levels would be up about an eighth from the recent 2-year average. Based on recent trends, the use of burley in cigarettes might increase slightly more than flue-cured on a relative basis; but a decline in smoking and chewing tobacco would have an offsetting effect on burley since a larger proportion of burley than flue-cured goes into these products. These projected increases of total usings of flue-cured and burley in the next 5 years exceed the increases that have occurred in the past 5 years. By coincidence, the absolute increase in total cigarette output from 1958 to 1963 and that projected from 1963 to 1968 are the same. However, it was assumed that cigarette manufacturers have gone almost (though not entirely) as far as they can in utilizing tobacco sheet and stem material in cigarette blends. Therefore, the raw material savings that can be effected by this means in the next 5 years will be less than in the past 5 years.

Exports of flue-cured tobacco and burley tobacco are projected in 1968 at 485 million and 60 million pounds (farm-sales weight), respectively. U. S. tobacco will continue to meet stiff competition from abroad but with increasing attention being paid to quality there should be some gain over the average export level of recent years. Hopefully, some trade barriers may be lowered, but it seems likely they will still be a significant influence hampering the export of U. S. tobacco.

The 1968 projections of total disappearances (domestic use plus exports) of flue-cured and burley tobacco are 1,365 and 655 million pounds, respectively. These are about 8 to 10 percent above the current levels of disappearances.





THE OUTLOOK FOR FRUITS AND TREE NUTS IN 1964

Talk by Ben H. Pubols  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 9:15 a.m., Thursday, November 21, 1963

General Supply and Demand Prospects

Reduced supplies, increased consumer demand, and relatively high prices are important elements in the outlook for fresh and processed fruits from this fall to mid-1964. Prospective supply reductions appear to be the largest for fresh pears, canned fruits, and frozen citrus juices. Supplies of raisins and edible tree nuts are expected to be up.

Export Outlook

Prospects for U. S. exports of fresh and processed fruit during the 1963-64 season are generally less favorable than a year ago. For fresh apples and pears, the outlook is not as good because of reduced U. S. production, especially the short pear crop, and expected larger crops in Western Europe, important foreign market for U. S. fruit. Orange exports to European markets will face competition of expected increased supplies in producing countries of the Mediterranean Basin.

Exports of citrus juices and dried prunes will be limited by reduced U. S. supplies. In contrast, export prospects continue bright for canned peaches, pineapples, and fruit cocktail. Raisin exports are expected to be up considerably because of the sharp increase in California output.

Citrus Fruit

Early-season prospects point to a 1963-64 U. S. citrus crop (excluding California Valencias) moderately smaller than the 1962-63 crop, which was cut severely by last winter's freezes. Prospective production of early, midseason, and Navel oranges is about one-fourth below the reduced 1962-63 harvest and one-third below the 1957-61 average. An expected sharp drop in Florida, where freeze loss of bearing wood was heavy, will much more than offset probable substantial gains in California and Arizona.

The Florida Valencia crop is expected to be about one-fourth above the light 1962-63 harvest but still well below average. Total Florida production in prospect is only a little more than half the volume expected last year before the freeze, and moderately less than the volume harvested, including salvaged oranges. Prospects this fall are favorable for a good crop of California Valencias next spring and summer.

Grapefruit production also is expected to be lighter in 1963-64 than last season because of a smaller Florida crop. The reduction from last season is in "seeded" varieties. Prospective production of seedless varieties is actually a little above last season and the average. Prospects for the new lemon crop are more favorable than a year ago.



Orange and grapefruit production is expected to increase over the next few years as Florida and Texas groves recover further from freeze damage, and as newly-planted trees start to bear. Florida citrus trees damaged by cold weather have already made remarkable recovery in appearance and new growth, and undamaged trees have attained an excellent condition. Assuming generally favorable weather, production should reach the pre-freeze volume in a few years, then expand further.

Market prospects for Florida oranges and grapefruit appear more favorable this fall than last, when large crops were expected and carryover stocks of processed citrus juices were up sharply. After January 1, supplies of fresh citrus probably will be larger than in the first half of 1963 and permit marketings to extend further into spring. Prices probably will continue relatively high.

Output of Florida canned and frozen citrus juices in 1963-64, as in 1962-63, is expected to be much below the large volume of preceding years. With carryover stocks down considerably from a year ago, supplies will continue relatively small and retail prices high.

#### Deciduous Fruit

Deciduous fruit production probably will be a little larger in 1964 than the above-average 1963 crop, if the weather is favorable. Increases over light 1963 crops can be expected for sweet and sour cherries, pears, and prunes. Apple and peach production may be up. Decreases from this year's record production appear probable for fresh plums and grapes. For other important fruits, changes may not be very large.

Over the next few years, total production of deciduous fruits is expected to trend slowly upward. Increases seem most likely for apples, peaches, and cranberries. Grape and sour cherry production probably will continue at least at recent high levels. Underlying the increases are new plantings, growth of bearing trees, and continued improvement in cultural practices.

Although total production of deciduous fruits was almost as large in 1963 as in 1962, some crops were down sharply while others were record large. The cherry, pear, and Pacific Northwest prune crops were much smaller than in 1962, but the apricot, grape, and fresh plum crops were up substantially, the latter two to new peaks. The apple and peach crops were near 1962 output. The 1963 season also was marked by large geographic changes in production of several fruits, including apples, peaches, and cranberries. Grower prices for 1963 fruit crops for both fresh market shipment and processing have tended to average above 1962 levels.

Price prospects this fall and winter for the remaining supplies of 1963-crop fruits continue generally favorable. Prices of fresh pears are expected to stay high because of the light supplies in cold storage.

Because of decreased production of a number of fruits usually processed in large volume, the 1963 U. S. packs of canned and frozen fruits, not yet completed, are expected to be moderately below last year. But dried fruit production will be up moderately because of a sharp increase in raisins. Retail prices for canned fruits, which advanced last spring, are expected to remain relatively high.

### Tree Nuts

Production of edible tree nuts--almonds, filberts, walnuts, and pecans--is expected to trend upward over the next few years. However, 1964 production is likely to be below the 1963 record. The pecan crop probably will be somewhat under the 1963 record, and the almond crop also may be smaller. The 1963 crop of the 4 edible tree nuts totals about 308,000 tons, 80 percent above 1962 and 14 percent above the previous record in 1961. Each nut crop is heavier than last year. Price prospects for the 1963 crops, except filberts, appear less favorable than last year.



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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR WHEAT IN 1964

Talk by William R. Askew  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 10:25 A. M., Thursday, November 21, 1963

Two unprecedented events in 1963 have substantially changed the outlook for wheat. Last May, farmers rejected, for the first time, a marketing quota price support program. The referendum on the 1964 program was put before approximately 2.2 million farm voters, of which about 1.2 million expressed themselves. Slightly less than half of the voters approved the referendum whereas a two-thirds approval was required. The second event, also without precedent, involves an expected record level of wheat exports of one billion bushels in the 1963-64 marketing year, of which it is anticipated that about 200 million will be shipped to the Soviet Union and Eastern European Bloc nations. This would be the first such large scale agricultural trade with these countries since before World War II.

Outlook for 1964

The outlook for most of the current 1963-64 year is characterized by a good demand and a tight privately held supply, conditions that indicate strong prices. However, toward the end of the 1963-64 marketing year the approaching 1964 crop and its much lower price support rate will have a pronounced effect on the wheat economy. Uncertainty in the long run outlook stems from the fact that wheat farmers for a number of years have not faced the same conditions and alternatives they now have open to them. For the last 10 years, they have operated under a mandatory control program with individual farm acreage allotments and a support price for all production on their allotment. Under the 1964 program, effectuated by last May's wheat referendum, price support will be lower than for many years. Farmers may ignore their allotments and forego price support without the direct financial penalties that were in effect under a marketing quota program. However, should they exceed allotments, they will lose part of their acreage history and any payments they may be receiving under Soil Bank contracts. Any loss of acreage history will be reflected in 1966 acreage allotments.

The first real measure of the extent of noncompliance with acreage allotments will come when the official winter wheat seeding report is issued in mid-December. A sharp drop in prices in 1964 is likely since price support for the 1964 crop under present legislation is to be 50 percent of the July 1964 parity. Based on present parity, this would be about \$1.25 per bushel. Price support will be available only to those farmers complying with allotments

The Current Situation

The 1963-64 marketing year started off with a supply substantially less than the record level of 1960 and the third consecutive reduction. Heavy exports during the last few years and special wheat stabilization programs

for both the 1962 and 1963 crops contributed to the decline in the supply for 1963-64. As a result, the total supply of wheat in the United States during the current year is 2,333 million bushels, 87 million below the supply a year earlier (see table). Domestic disappearance in 1963-64 is expected to be somewhat larger than in most recent years, due entirely to an anticipated increase in the quantity of wheat used for seed. Such an increase in seed use is based on the assumption that some farmers will increase their wheat seedings in the absence of a mandatory wheat control program.

Reports at this time provide no basis for estimating the acreages seeded. They do indicate, however, that in the important Southwest-producing States and to some extent in the Corn Belt, seeding operations ran behind schedule as a result of moisture deficiency. Crop development was also delayed by continued moisture shortage and unseasonably high temperatures during much of October. For the present, we will assume that farmers will plant about 60 million acres to wheat and will use approximately 70 million bushels of seed wheat. An acreage of this size would be about 5 million more than was normally planted under the old 55-million-acre allotment program and would be about 10 million acres above the 1964 allotment of 49.5 million acres. Use of wheat for food in the U. S. is placed at 500 million bushels and that for feed at about 33 million. Both of these are at about the same level as in 1962-63. Food, seed, and feed uses place total domestic disappearance at about 600 million bushels.

Based on current world demand and including an allowance for sales to the Soviet Union and Eastern Europe, U.S. wheat exports are expected to total a billion bushels during 1963-64. This would be substantially above last year's 639 million bushels and present record export of 720 million established in 1961-62. The sharp increase in exports anticipated this year is due to a poor harvest in Europe and the Soviet Union. Western European crops have been harvested under extremely wet conditions and much of the wheat will not be suitable even for blending with imported wheats for bread flour. In the Soviet Union, severe weather conditions in the Ukraine Region drastically reduced the yields of winter wheat and the fourth successive year of drought in the New Lands cut production of spring wheat. As a result, the USSR has shifted from an exporting nation to become a major importer of wheat. After first taking large quantities from both Canada and Australia, they indicated a desire to purchase U.S. wheat. On October 9, the President stated that the United States would sell wheat to the Soviet Union and Eastern European Bloc countries, our first such sales to these countries since World War II. Exports to the Soviet Bloc will be handled by the private trade and the transactions will follow the same procedures as other commercial sales.

With a total disappearance of about 1,600 million bushels, the carryover on July 1, 1964, will be substantially reduced. The expected reduction will be 465 million bushels and would place the ending carryover at 730 million. This would be the smallest carryover level since 1953.

#### Prices

Prices of most classes of wheat at major markets have registered new strength, reflecting a relatively short supply of privately-held wheat, the recent surge in export demand, and the apparent tight holding by



farmers. Through September 1963, 114 million bushels of new-crop wheat had been placed under price support loan and purchase agreement. This was about 21 million bushels below the quantity of 1962-crop under loan through September 1962. Prices at many locations, including some terminal markets, have risen to the CCC minimum resale price. This has resulted in the Commodity Credit Corporation selling substantial amounts of wheat under the formula resale provision, compared with only negligible amounts a year earlier. Farm prices have also been strong, reflecting the increased market activity. The average price received by farmers in October was \$1.94 per bushel, 10 cents above the price received in September. The price received in October was 12 cents above the national average loan rate of \$1.82. However, the average price received by farmers during July-October this year was 16 cents per bushel below the same period last year.

With a high level of demand, the season average price received by farmers in 1963-64 probably will be moderately above the national average loan rate of \$1.82. It should be remembered that a high but effective ceiling is put on prices through CCC's large stocks and their statutory minimum selling authority. For this reason, farmers will enjoy increased benefits from the excellent demand but cannot expect an unlimited price rise.

#### Situation by Classes

The record level of exports currently forecast for 1963-64 will have a very noticeable impact on every class of wheat (see table). Although it is anticipated that the Soviet Bloc purchases will be largely of hard winter, because of availabilities and price relationships, it should be noted that the following estimates were made without any indication of what classes and exact quantities the Soviet Union would buy. Exports of each class, except durum, are expected to be at or near record levels. Exports of hard winter may reach 720 million bushels and those of white wheat about 140 million. Soft red winter and hard spring exports are currently estimated at 71 million and 60 million bushels, respectively. Exports of durum are expected to be only about 8 million bushels, twice the very small exports of 1962-63 but only half of the high level of 1961-62. Based on current requirements of the usual buyers of U.S. wheat, exports of soft wheats and durum probably would rise to about the levels indicated even without the Soviet sales although this would not be true to the same extent for hard red wheats.

- The carryover of 730 million bushels on July 1, 1964, will still be largely composed of hard red wheats. The hard winter carryover may total 495 million bushels, down 444 million from a year earlier but still two-thirds of the total wheat carryover. Hard spring carryover may total around 162 million bushels, down 30 million from a year earlier but about one-fifth of the total. The other hard wheat--durum--is expected to show an increase of 15 million bushels from the 1963 carryover to a total of 61 million bushels on July 1, 1964. By contrast, carryover stocks of soft wheats will be exceptionally small. The carryover of soft red winter may total only 4 million bushels--a record low--and that of white only 8 million, equaling the low of both 1946 and 1947.



Table 1.- Wheat: Estimated supply and distribution by classes,  
United States, average 1957-61 and annual 1961-63

Item	Hard red winter	Soft red winter	Hard red spring	Durum	White	Total
	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.
<u>Average 1957-61</u>						
Carryover, July 1	860	12	221	20	49	1,162
Production	687	179	171	27	161	1,225
Imports 1/	---	---	8	---	---	8
Supply	1,547	191	400	47	210	2,395
Exports 2/	335	45	42	5	120	547
Domestic disappearance 3/	264	131	139	24	45	603
Carryover, June 30	948	15	219	18	45	1,245
<u>1961-62</u>						
Carryover, July 1, 1961	1,104	12	237	20	38	1,411
Production	754	202	116	21	142	1,235
Imports 1/	---	---	6	---	---	6
Supply	1,858	214	359	41	180	2,652
Exports 2/	487	56	42	16	119	720
Domestic disappearance 3/	286	134	130	20	40	610
Carryover, June 30, 1962	1,085	24	187	5	21	1,322
<u>1962-63 4/</u>						
Carryover, July 1, 1962	1,085	24	187	5	21	1,322
Production	536	155	176	72	154	1,093
Imports 1/	---	---	5	---	---	5
Supply	1,621	179	368	77	175	2,420
Exports 2/	434	40	39	4	122	639
Domestic disappearance 3/	248	134	137	27	40	586
Carryover, June 30, 1963	939	5	192	46	13	1,195
<u>1963-64 4/ 5/</u>						
Carryover, July 1, 1963	939	5	192	46	13	1,195
Production	536	205	165	51	176	1,133
Imports 1/	---	---	5	---	---	5
Supply	1,475	210	362	97	189	2,333
Exports 2/	720	71	60	8	141	1,000
Domestic disappearance 3/	260	135	140	28	40	603
Carryover, June 30, 1964	495	4	162	61	8	730

1/ Excludes imports for milling-in bond and export as flour. 2/ Includes exports for relief or charity by individuals and private agencies. 3/ Wheat for food (including military food use at home and abroad), feed, seed and industry. Includes shipments to U. S. Territories. 4/ Preliminary. 5/ Imports and distribution items are projected.

Note:-Figures by classes in this table are not based on survey or enumeration data and are therefore only approximations.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR RICE IN 1964

Statement by William R. Askew  
Economic and Statistical Analysis Division  
for the 41st Annual Agricultural Outlook Conference  
Washington, D. C., Wednesday, November 20, 1963

Large Supply

The rice outlook in 1963-64 is highlighted by a record crop and the largest supply since 1956. The 1963 crop, based on the October Crop Report, is estimated at 67.3 million hundredweight and the total supply is placed at 75.1 million. The supply also includes the August 1, 1963, carryover of 7.7 million cwt. and an allowance for a small quantity of imports (see table). A supply of this size is 8 percent above last year's large supply and about 14 percent above the 1957-61 average.

Heavy Demand  
Expected

Total domestic disappearance in 1963-64 is expected to be about 29.5 million cwt. with that for food use totaling about 22.0 million. This quantity for food use would be a moderate increase from the relatively small amount of 21.1 million cwt. in 1962-63. Although the small per capita consumption of rice has held stable, population growth has been the major factor in increasing the quantity of rice used for food in the United States. Rice, alone, has resisted the downward trend in per capita consumption of cereal grains in this country. The use of rice by the brewing industry and that used for seed are both expected to be about the same in 1963-64 as in recent years, about 5.0 million and 2.5 million cwt., respectively.

Exports of rice in 1963-64 are currently estimated at 36.0 million cwt., slightly above the 35.6 million exported last year but somewhat below the record of 37.5 million set in 1956-57. Registrations for export totaled about 7.0 million cwt. (rough basis) from August 1 through October 29 this year, about 1 million above that registered for the same period in 1962. However, the export estimates are subject to more than the usual uncertainty this year. Much of the uncertainty is tied to the current status of both Indonesia and Dominican Republic. Neither of these nations is now eligible for rice under P.L. 480 and estimates of the potential exports to them range from about 5.5 million cwt. to 7.0 million cwt. (rough basis). However, a number of small importing nations have indicated an interest in rice under P.L. 480. The other factor in the export picture is the Soviet Union and Eastern European Bloc countries. Their world wide purchases of grains has led to speculation that they may be potential rice buyers. The United States has already sold some rice to the Soviet Bloc but sales have been small. While Soviet Bloc purchases in some other rice exporting countries have been sizeable, these transactions do not at the present time indicate increases from their usual purchases.

Year-end Stocks  
to Increase

With a projected total disappearance of 65.5 million cwt., the carryover of rice on August 1, 1964, may increase moderately to about 9.6 million. This would be almost 2 million cwt. above a year earlier but substantially below the high level of the late 1950's.

Current Prices Strong

Prices received by farmers for rough rice during August-October 1963 have averaged \$4.97 per cwt. This is 13 cents per cwt. above the same period in 1962 and 26 cents above the \$4.71 per cwt. national average support rate for 1963-crop rice. This support rate is the same as that during the 2 preceding crop years. In both those years, prices received by farmers averaged substantially above support, amounting to \$5.14 per cwt. in 1961-62 and \$4.94 in 1962-63. However, because of the record large crop, farm prices may average only slightly above the \$4.71 per cwt. support level in 1963-64.

The quantity of 1963-crop rice placed under price support loan and purchase agreements through September was only slightly larger than the 821,000 cwt. put under support a year earlier.

The Program  
for 1964

No official announcements on the acreage allotment or price support level for 1964-crop rice had been made as of the end of October 1963. However, the minimum permitted allotment is 1.6 million acres and the minimum permitted price support level is 65 percent of parity.

Rice, rough equivalent: Supply and distribution, United States,  
average 1957-61, annual 1960-63 1/

Item	Year beginning August				
	Average	1960	1961	1962	1963
	1957-61			<u>2/</u>	<u>3/</u>
	Mil. cwt.	Mil. cwt.	Mil. cwt.	Mil. cwt.	Mil. cwt.
<u>Supply</u>					
Carryover August 1 <u>4/</u>	15.2	12.1	10.1	5.3	7.7
Production <u>4/</u>	50.0	54.6	54.2	64.5	67.3
Imports	.4	.3	.4	5/	.1
Total supply	65.6	67.0	64.7	69.8	75.1
<u>Domestic disappearance</u>					
Food <u>6/</u>	20.2	19.9	22.5	21.1	22.0
Seed	2.1	2.1	2.3	2.3	2.5
Industry <u>7/</u>	4.8	4.9	4.7	4.7	5.0
Total	27.1	26.9	29.5	28.1	29.5
<u>Exports</u>	25.2	29.5	29.2	35.6	36.0
Total disappearance	52.3	56.4	58.7	63.7	65.5
<u>Carryover July 31 <u>4/</u></u>	12.3	10.1	5.3	7.7	9.6
Total distribution	64.6	66.5	64.0	71.4	75.1
Difference, unaccounted <u>8/</u>	+1.0	+5	+7	-1.6	---

1/ Milled rice converted to rough basis at annual extraction rate.

2/ Preliminary.

3/ Projected.

4/ Data apply only to major rice producing States. Minor States (South Carolina, North Carolina, Arizona, Florida, Illinois, Tennessee and Oklahoma) account for only negligible production and data on them are generally incomplete.

5/ Less than 50,000 cwt.

6/ Includes shipments to territories and purchases for military food use.

7/ Primarily for beer production.

8/ Results from loss, waste, the variance in conversion factors, the lack of data on other uses such as feed, the different crop years applicable to the major rice areas, and errors and inconsistencies in data from the different reporting sources.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR VEGETABLES AND POTATOES IN 1964

Talk by Will M. Simmons and Donald S. Kuryloski  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 1:30 P. M., Thursday, November 21, 1963

SUPPLY AND DEMAND PROSPECTS

Supplies of both canned and frozen vegetables this season appear to be slightly less than last season but still well above the recent average. Potato supplies for fall and winter marketing are a little larger than a year ago and, once again, in excess of market requirements. About 11 percent fewer sweet-potatoes are available than last year. Supplies of dry peas and beans appear to be slightly to moderately above a year ago.

Overall economic activity has made a moderate advance this year, and a further rise is expected in 1964. There are likely to be increases in Government purchases, business investment, and consumer spending for goods and services. The prospective high level of consumer income will result in a continued strong demand for vegetables.

Export prospects for the coming season are generally favorable. Canada is our principal export market for vegetables and potatoes. Exports to that country are expected to continue the upward trend of recent years. There also is a good potential for expanding the movement to northern Europe of several hardy winter vegetables, particularly carrots and celery. However, potato exports to Europe, and total exports are expected to be smaller than last year. Exports of dry beans likely will be larger in 1963-64, because of increased European demand and continued movement under P. L. 480 programs. The export demand for dry peas is uncertain; information concerning production in several major foreign countries is not yet available.

VEGETABLES FOR COMMERCIAL PROCESSING

Supplies of canned vegetables for marketing into mid-1964 are only slightly smaller than the record volume last season. The 1963 packs of most major vegetables probably were moderately to materially smaller than last year. But the reductions were nearly offset by the considerably larger carryover stocks. Supplies of frozen vegetables also are expected to be a little smaller than last year. Carryover stocks at the beginning of the current season were much above a year earlier. But packs probably were smaller.

Total harvested acreage of vegetables for processing was nearly a tenth less than in 1962 because of substantial reductions for lima beans, sweet corn, and tomatoes. Acreages were a little larger than a year ago for most other major processing vegetables. Early October reports indicate that processing tonnage this year is 15 percent below the record last year but 8 percent above the 1957-61 average. Substantial reductions in output of tomatoes, lima beans, and sweet corn account for most of the decrease.



Among important canned items, supplies of snap beans, beets, tomato juice, and most other tomato products probably are as large as last season. Sweet corn supplies will again be excessive, although a little smaller than in 1962-63. There likely will be fewer tomatoes, and supplies of green peas and spinach will again be relatively light.

Early in the current season, buyer demand was stimulated by the smaller acreages and generally slow crop development in most areas. Prices for many processed vegetables moved upward during the summer. Demand eased somewhat as late-season growing conditions improved. Notable weakness developed in the market for canned corn and several tomato items. However, prices for most other canned vegetables still are a little above a year ago. Processing and distribution costs continue to rise, creating an upward pressure on prices. Nevertheless, supplies of processed vegetables are heavy. Generally, f.o.b. and retail prices for frozen vegetables are expected to average near those of last season, and prices of canned items only a little above the low levels of last season.

#### DRY BEANS AND PEAS

Supplies of dry beans this season are expected to be slightly to moderately larger than last season. Beginning stocks were substantially smaller than a year earlier, but production was up materially. Acreage was a little less than in 1962, but a record yield was realized. Total output was record high.

Production by class of beans is not yet available. However, production by areas indicates that supplies of colored beans are about the same as a year ago, but supplies of white beans are materially larger. Among important types, supplies of pea beans and Great Northerns are materially larger than last season. Pinto bean supplies are about the same as last season, but supplies of red kidney beans are materially smaller than in the 1962-63 season.

Domestic use of beans this season may be slightly lower than a year earlier, but exports will likely be larger. A stronger export demand is anticipated because of poor crop prospects this year in the major European countries.

The national average support price for 1963-crop beans is \$6.32 per hundred-weight, the same as in 1962. Price supports and expected heavy exports should largely offset any market pressure that might have resulted from the increased 1963 production. Prices for the season are expected to average about the same as last season.

Dry pea supplies appear to be moderately above last season. Carryover stocks were moderately above a year earlier and production was a little larger. Domestic use of dry peas in the current season likely will be near that of last season. Thus, supplies available for export are the heaviest in several seasons. Currently, the foreign demand picture is uncertain. In recent months export movement has declined and prices have averaged below year-earlier levels. Unless export demand improves considerably, farm prices for the season probably will average lower than last season.

## POTATOES AND SWEETPOTATOES

Potato supplies for fall and winter are a little larger than a year ago. Early October reports indicate combined production of late summer and fall potatoes is 227 million hundredweight, 2 percent more than in 1962. Late summer output was slightly smaller than a year ago. However, fall crop production, at 194 million hundredweight, is up 2 percent. An 8 percent larger crop in the West is responsible for the increase. Expected output is nearly the same as last year in the Central States and down 5 percent in the East. Among the Western States, Colorado, Washington, and Oregon expect smaller crops--all others report increases. Idaho, the largest producer, shows an increase of 17 percent over last year. In the Central States, production increases in Minnesota, Nebraska, and Ohio are offset by modest declines in other States. Smaller fall crops are expected in all Eastern States except Upstate New York, where production is 5 percent above last year.

Marketing of the 1963 late summer and fall crop got off to a good start. During the first half of this year, potato supplies were burdensome and prices were relatively low. However, markets improved during July as harvests shifted into early summer States, where tonnage was 8 percent below average. Prices received by growers averaged significantly above a year ago through the summer. But as fall-crop harvests progressed, prices declined and by late October were about the same to a little lower than a year earlier.

The Department, at industry request, is operating a potato diversion program to assist farmers in marketing the large crop. Also, a large portion of the fall crop is in areas covered by marketing orders.

Despite efforts to market the crop as rapidly as possible, prices are expected to be under pressure into the spring. Farmers can most effectively contribute to market stability by making full use of the diversion program and by maintaining steady and orderly shipments to markets throughout the season.

Fewer sweetpotatoes will be available this season than last. Reports in early October point to a production of 17 million hundredweight--more than a tenth below 1962 but about the same as the 1957-61 average. Acreage and yields were both lower than last year. Combined production in States that provide the bulk of winter and spring supplies in eastern and midwestern markets was 14 percent below last year. These States include New Jersey, Virginia, North Carolina, Louisiana, and Texas. California output, marketed largely in the West, is up slightly.

Early in the current season, prices averaged about the same as a year ago. Prices are expected to rise seasonally in coming months and average at least moderately above last season.



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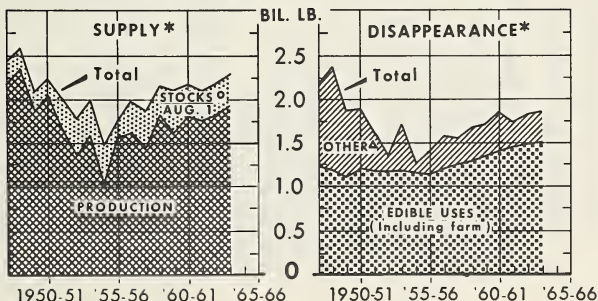
The Outlook for Peanuts in 1963-64

Talk by George W. Kromer  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 1:30 P. M., Thursday, November 21, 1963

The supply of peanuts (farmers' stock basis) during the 1963-64 marketing year that began August 1, 1963, is placed at 2,310 million pounds, 6 percent more than the year before and the largest since the 1948-49 season. The increase is attributed to the larger crop, since starting stocks were about the same as a year earlier. The 1963 peanut crop sharply exceeds edible requirements, and CCC will acquire the surplus under the support program.

The 1963 peanut crop was estimated on October 1 at 1,943 million pounds compared with 1,810 million in 1962. The increase is due entirely to record yields in the Southeastern area of the peanut belt, since yield per acre and production are down in both the Virginia-Carolina and Southwestern producing areas. The U. S. average yield per acre is placed at 1,387 pounds and exceeds by 105 pounds the previous record yield in 1962. The 1963 acreage picked and threshed at 1,401,000 acres was about the same as last year. Acreage allotments for 1963-crop peanuts were again at the

**Peanut Supply Greatest Since 1948;  
1963-64 Usage to Increase Slightly**



YEAR BEGINNING AUGUST.

○ INCLUDES IMPORTS OF LESS THAN 5 MIL. LBS. EVERY YEAR EXCEPT 1954 WHICH WERE 100 MIL. LBS.

△ CRUSHED FOR OIL AND EXPORTS.

\* FARMERS' STOCK BASIS.

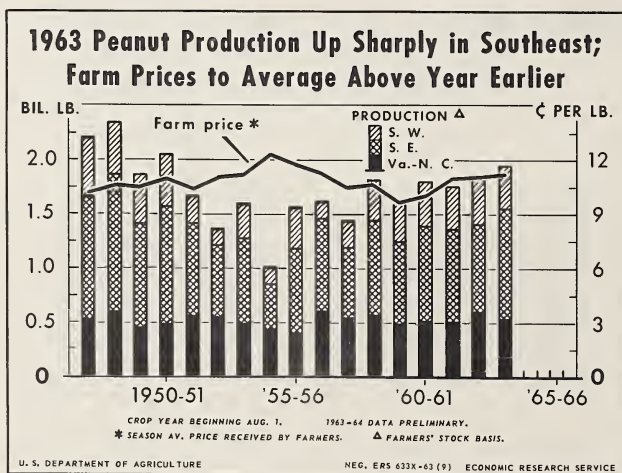
1963-64 SUPPLY BASED ON OCTOBER CROP REPORT; DISAPPEARANCE IS FORECAST.

legal minimum of 1,610,000 acres for picking and threshing. Because of the long-term uptrend in yields, production of peanuts from the minimum allotment during most years provides a surplus above edible requirements even though population is increasing.

The 1963-64 outlook is for peanut prices to producers to average around 11.2 cents per pound compared with 11.0 cents in 1962-63. Farm prices, as in recent years, are likely to average near the CCC support rate. Prices to farmers for 1963 crop Spanish and Runner type peanuts so far this season are averaging at about the support level and 6 percent above last year. Virginia-Carolina peanuts have just started to move in volume and prices are also running near the 1963 loan rate.

The 1963-crop peanuts are being supported at a national average of \$224.00 per ton (11.2 cents per pound) compared with \$221.40 per ton (11.1 cents per pound) for the 1962 crop. The 1963 support price is 80 percent of parity. Support by type is as follows: Virginia, \$236.86 per ton; Runner, \$211.24; Southeast Spanish, \$228.98; Southwest Spanish, \$219.70; and Valencia (suitable for cleaning and roasting), \$236.86.

Principal provisions of the 1963 program are similar to those of the 1962 crop. Support will be available by means of warehouse storage loans to grower associations, farm storage loans, and purchase agreements to producers. Loans and purchase agreements are available from time of harvest through January 31, 1964. Loans will mature May 31, 1964, or earlier on demand by CCC.

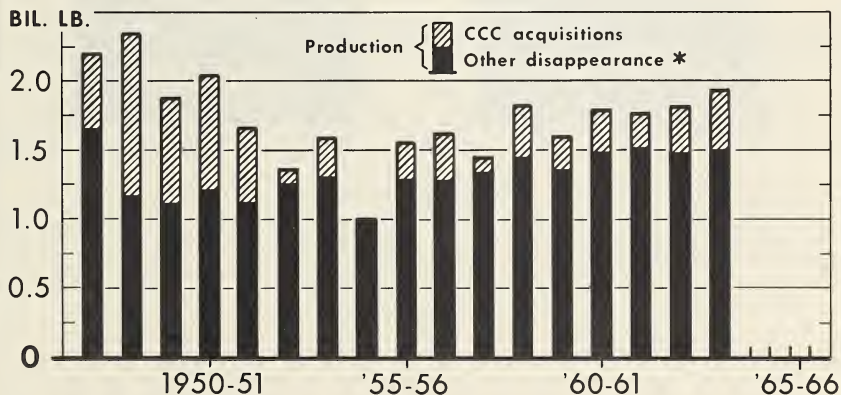




Civilian consumption of peanuts has increased in recent years, rising from 5.8 pounds per person in 1955-56 to 7.0 pounds, farmers' stock basis (5.0 pounds shelled basis) in 1962-63. Supplies of peanuts in most years are plentiful and prices to growers average near support. Of the 7 pounds per capita, about 6 are consumed in the form of peanut butter, salted peanuts, and in candy. The other pound is divided almost equally between roasted peanuts (the ball-park type) and those consumed as food on farms.

The consumption rate of 7.0 pounds per person is expected to continue during the 1963-64 marketing year. With increased population, this means that total consumption will rise slightly. Assuming a 2 percent increase in total peanut consumption and about the same farm use as in recent years, around 450 million pounds or about 23 percent of the 1963 peanut crop will be acquired by CCC. Both peanut crushings during 1963-64 and carryover stocks on July 31, 1964, are expected to increase, the extent of which will mainly depend upon the CCC diversion policy. The Corporation will continue to purchase peanut butter on the open market for distribution to the school lunch program and needy persons. This is also considered part of the CCC diversion program for surplus peanuts.

## CCC Likely to Acquire One-fifth of 1963 Peanut Production *Farmers' Stock Basis*



YEAR BEGINNING AUGUST.

\* INCLUDES EDIBLE AND FARM USES, CRUSHINGS, EXPORTS, AND STOCKS.

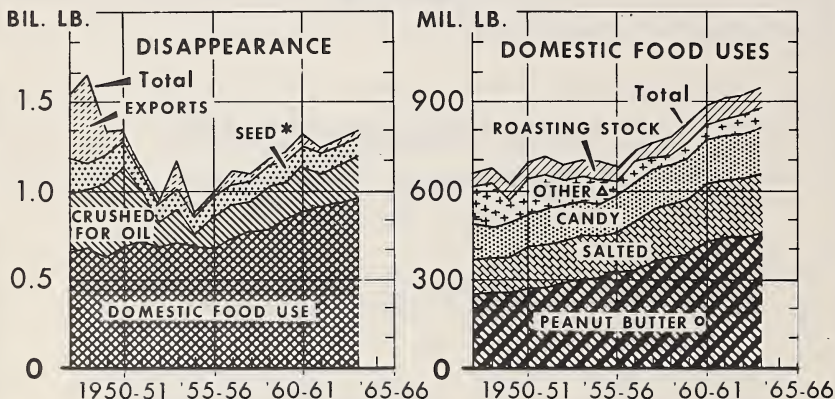
1963-64 FORECAST.



Economic outlook information for peanuts is published regularly in the Fats and Oils Situation, a processed publication by the Economic Research Service, Economic and Statistical Analysis Division. This statement is a summary from the 1964 Outlook Issue, FOS-220 for November 1963.

## Edible Uses of Peanuts Rising Slowly; Peanut Butter Accounts for One-half of Total Consumption

### Kernel Basis



YEAR BEGINNING AUGUST.

\* INCLUDING FEED, FARM LOSS AND SHRINKAGE.

△ INCLUDING FARM HOUSEHOLD USE.  
1963-64 FORECAST.

○ BEGINNING 1956 INCLUDES PEANUT BUTTER USED IN SANDWICHES.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2360-63 (9) ECONOMIC RESEARCH SERVICE

UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR COTTON IN 1964

Talk by James R. Donald  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D.C., 3:45 P.M., Thursday, November 21, 1963

The carryover of all kinds of cotton in the United States next August 1 is expected to be about 12.9 million bales (12.7 million of upland cotton). This would be an increase of 1.7 million bales from last August and would mark the third consecutive season that the carryover has increased. (See figure 1.) It would be the largest since the record high of 14.5 million in 1956.

Commodity Credit Corporation stocks also are expected to increase during the current season while "free" stocks may show little change. Cotton held as collateral against outstanding price support loans from the 1963 crop totaled 2.2 million bales as of October 25 compared with 1.6 million from the 1962 crop on approximately the same date last year. The greater volume of cotton being placed under loan from the 1963 crop primarily reflects earlier ginnings and use of CCC stocks to meet export needs. On August 1, 1963, CCC-held stocks totaled 8.2 million bales. This was up from 4.7 million a year earlier and the largest since 1956. (See figure 2.) CCC acquired 4.7 million bales or about 32 percent of the 1962 crop through unredeemed price support loans. This compares with 3.2 million or 22 percent of the crop acquired in 1961.

The carryover is expected to increase this season as the large crop is exceeding disappearance. (See figure 3.) Production is above last year's level because of a record 516-pound-per-acre yield. The crop was estimated as of November 1 to total 15.3 million bales, up 450,000 from 1962. Disappearance during the current season is estimated at 13.8 million bales, up about 2 million from a year earlier. Both mill consumption and exports are expected to be larger this season.

During the 1962-63 crop year, the carryover increased over 3 million bales as both mill consumption and exports declined sharply from a year earlier, and the 1962 crop was up from 1961. Although acreage allotments were reduced about 300,000 acres for the 1962 crop from the previous year, production rose over 500,000 bales. Exports dropped to 3.4 million bales during 1962-63 as foreign production increased over 2 million bales from 1961-62, while consumption fell 400,000 bales. At the same time, stocks were worked down in foreign importing countries. U.S. mill consumption of cotton declined in 1962-63 because of increasing competition from man-made textile fibers and cotton textile imports and because of cotton industry uncertainty about legislation.

# CARRYOVER OF COTTON

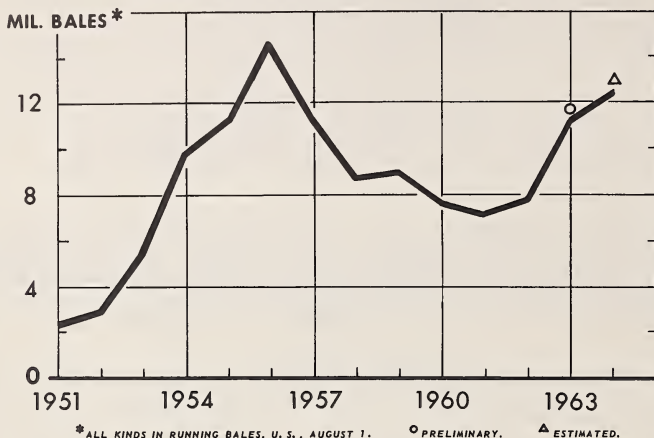


FIG. 1

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# CARRYOVER AND CCC\* STOCKS OF COTTON

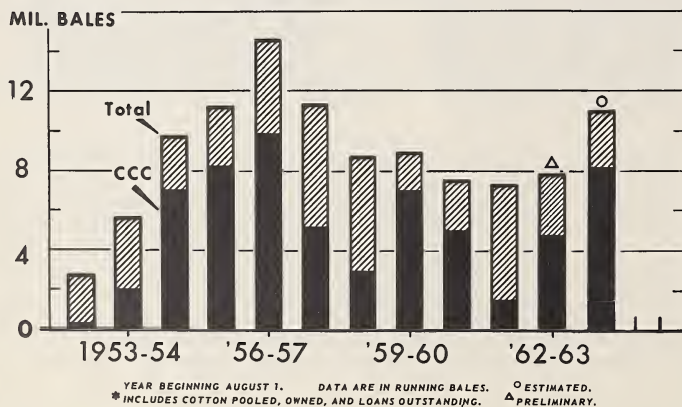


FIG. 2

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# U. S. COTTON PRODUCTION AND USE

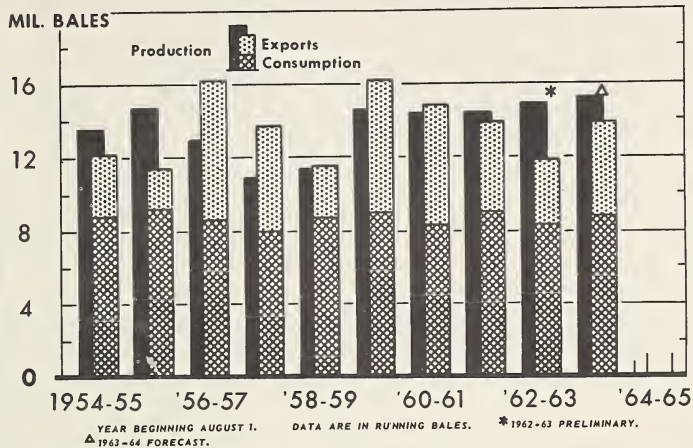


FIG. 3

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NEG. ERS 199-63 (10) ECONOMIC RESEARCH SERVICE

# COTTON YIELDS PER ACRE

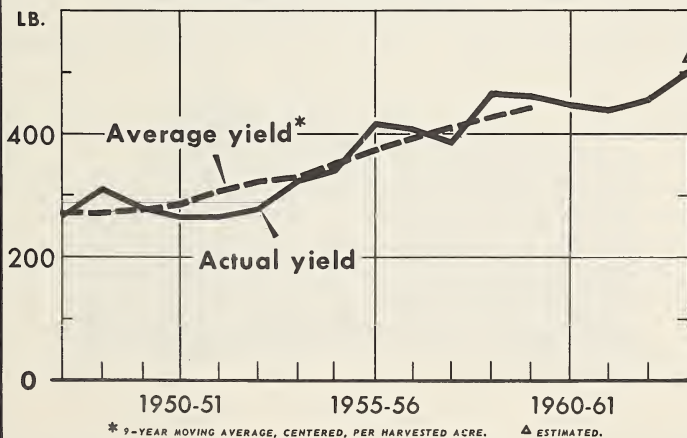


FIG. 4

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NEG. ERS 231-63 (10) ECONOMIC RESEARCH SERVICE

The 1963 crop of 15.3 million bales is being produced on 14.3 million harvested acres. This is 8 percent fewer acres than in 1962 and is the smallest since 1958. The record yield of 516 pounds per acre is up from 457 pounds last year and the previous record of 466 pounds in 1958. (See figure 4.) The sharp yield increase this year is primarily a reflection of very favorable growing conditions. About 66 percent of this year's crop was ginned prior to November 1. This compares with 62 percent for 1962 and the largest proportion ginned prior to November 1 since 1959.

Ginnings to October 18 this year have contained a larger proportion of Middling and higher grades than last year and the largest proportion of cotton stapling 15/16 inch in recent years. Over four-fifths of the ginnings this year have been in the 3.5 - 4.9 micronaire range. The micronaire instrument measures fiber fineness and lint maturity. Cotton with a reading of 3.5 - 5.0 is generally considered "normal character" cotton.

The 1964 national acreage allotment for upland cotton has been set at the statutory minimum of 16.0 million acres, the same as for the 1963 crop. An additional 200,000 acres for the 1964 crop were allotted from the national reserve for small farms. The announced allotment of 16 million acres is the smallest permitted under present law. An even smaller acreage would be sufficient for a balance of supply and disappearance during the 1964-65 crop year. The 1964 acreage allotment for extra-long staple cotton has been set at 112,500 acres. This is down from 149,880 acres for the 1963 crop, but up from 100,293 acres in 1962 and the second largest on record.

December 10 is the date for the separate referendums on 1964 upland cotton and extra-long staple marketing quotas. For the quotas to go into effect, at least two-thirds of cotton farmers voting must approve. Marketing quotas are in effect for the 1963 crops. They were approved by 93.7 percent of the upland and 81.8 percent of the extra-long staple growers voting in referendums on December 11, 1962.

Consumption of all kinds of cotton by mills in the United States during the 1963-64 crop year is estimated at 8.8 million bales (8.6 million bales of upland cotton). Although this is up 400,000 from a year earlier, it is down 200,000 from 1961-62. Increased use during the current season is indicated by a continuation in the upward trend in the rate of consumption. The seasonally adjusted daily rate of consumption in September was 33,132 bales, up 2.8 percent from the previous month and slightly higher than September of 1962. (See figure 5.) Larger consumption this season is also indicated by recent declines in the ratio of mill stocks to unfilled orders for cotton cloth, increases in cotton cloth prices, and widening of mill margins for cotton cloth. The consumption estimate is based on a high level of general economic activity during 1963-64 and assumes some rebuilding of pipe-line inventories of cotton textiles.



## RATE OF MILL CONSUMPTION OF COTTON

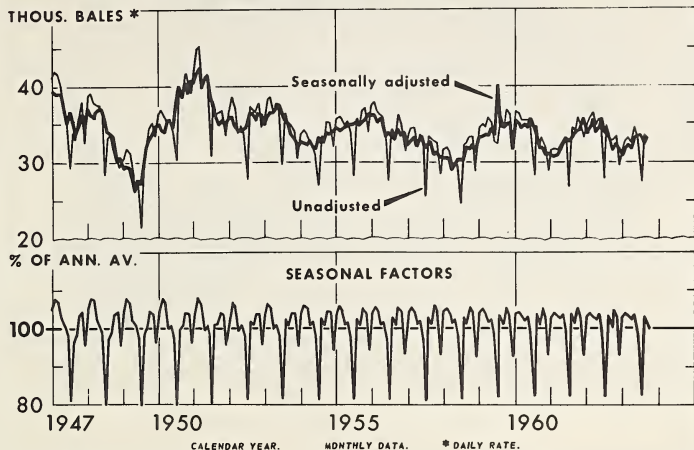


FIG. 5

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NEG. ERS 566-63 (10) ECONOMIC RESEARCH SERVICE

## MILL CONSUMPTION OF FIBERS, PER CAPITA

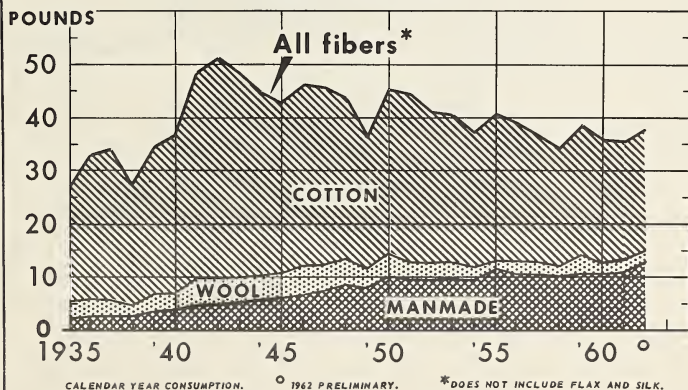


FIG. 6

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NEG. ERS 953-63 (3) ECONOMIC RESEARCH SERVICE



Per capita mill consumption of cotton for calendar 1963 is estimated at a record low 21.6 pounds, down 4 percent from 1962. At the same time, cotton's share of total fiber consumption may fall to a record low of less than 57 percent in 1963, down from 59 percent last year. Per capita man-made textile fiber consumption this year is estimated to be at 14.2 pounds, up 9 percent from last year. Estimated total per capita fiber consumption of 38 pounds this year would be slightly higher than last year's 37.8 pounds and the largest since 1959. (See figure 6.) The sharp increase in use of man-made fiber reflects, among other factors, new and improved technology, competitive prices, and large-scale promotion and advertising.

Imports of cotton textiles on a raw cotton equivalent basis totaled 456,900 bales for the first 8 months of calendar 1963, up from 448,400 bales for the same months last year. For all of calendar 1962, imports amounted to a record 645,500 bales, 23 percent higher than the previous record of 525,500 bales in 1960. (See figure 7.) Since 1946, imports have increased at an average annual rate of 22 percent. In recent years, cotton textile imports have continued to reach new record highs despite duties and agreements with governments of other countries to restrict their shipments to the United States.

U.S. cotton exports during the 1963-64 crop year are estimated at 5 million bales, up from 3.4 million a year earlier. This increase reflects an improvement in the competitive position of U.S. cotton prices in world markets, a moderate pickup in foreign consumption during 1963-64, a decline in foreign production, a small buildup in stocks in importing countries, and increased free world exports to Communist Countries. Through November 6, 3.0 million bales of cotton had been sold under the export sales program. Under this program, stocks of CCC cotton are being offered for sale on a competitive-bid basis. The sales price so far this season has averaged slightly more than 24 cents a pound for Middling 1-inch cotton at average location. Cotton purchased under this program may be sold domestically or exported. However, a quantity of cotton equal to that purchased from CCC must be exported without any assistance under the payment-in-kind program during the 1963-64 crop year. Registrations under the payment-in-kind export program have been very small so far this season, only 11,949 bales through November 1. The export payment rate has been  $8\frac{1}{2}$  cents per pound, the same as in 1962-63.

Early season reports indicate that foreign free world consumption of cotton during 1963-64 may total 24.0 million bales. This would be 0.4 million above the previous record high in 1961-62. Consumption prospects in the current season appear more favorable than in 1962-63 in most foreign importing and exporting countries. Consumption fell last season as major importing countries, such as Japan, cut back.

Foreign free world production during the current crop year may total about 21.4 million bales. Although this is below last year's record high, it is the second largest ever recorded. Planted acreage in foreign free countries is expected to be larger than a year earlier. It is unlikely, however, that the record yields of a year earlier will be maintained. The major

# U.S. FOREIGN TRADE

## Cotton Equivalent of Cotton Manufactures

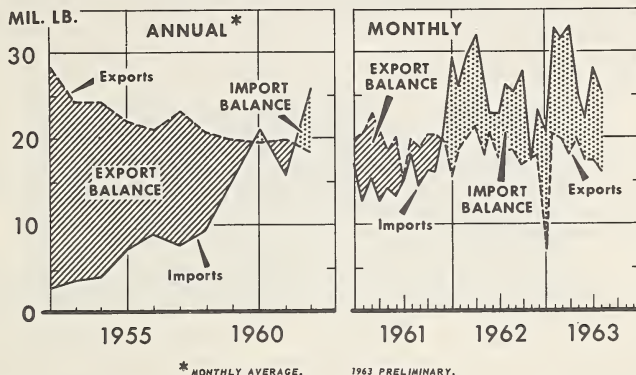


FIG. 7

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 70A-63 (10) ECONOMIC RESEARCH SERVICE

# FOREIGN FREE WORLD PRODUCTION AND CONSUMPTION OF COTTON

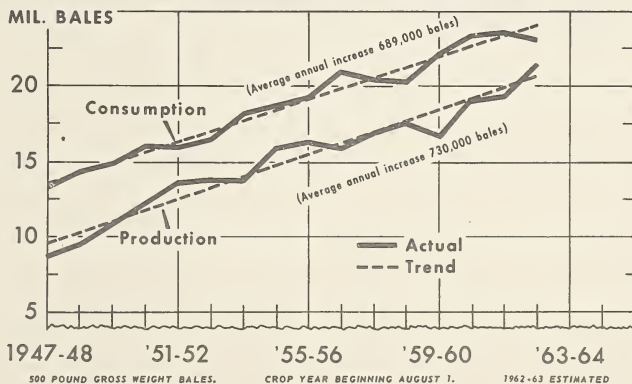


FIG. 8

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NEG. ERS 2185-63 (7)

ECONOMIC RESEARCH SERVICE

production decline this season is expected in Mexico. Smaller declines are expected in Egypt, India, and Spain. Part of the decline in these countries is expected to be made up by increases in Brazil, Greece, Iran, and in the Central American countries. Both consumption and production have been increasing in foreign free world countries in the post-World War II period. Production has risen faster. For 1947-62, average annual foreign production increased 5.2 percent per year or the equivalent of 730,000 bales per year. Consumption rose 3.8 percent per year or the equivalent 689,000 bales. (See figure 8.)

Stocks of cotton in foreign free world countries totaled around 9.4 million bales on August 1, 1963, slightly lower than a year earlier and the smallest since 1960. Stocks in most foreign free world importing countries were at near-minimum levels at the beginning of the current crop year. Stocks may increase moderately this year.

Spot market prices for U.S. cotton have been steady in recent months, after trending downward since May 1963. The average 15-spot market price for Middling 1-inch cotton was 33.08 cents per pound in October, almost the same as in September. Prices for most qualities of U.S.- and foreign-grown cotton have been declining in foreign importing markets. The price for U.S. Middling 1 1/32 inch, c.i.f. Liverpool, during October 1963 averaged 27.21 cents per pound. This is down slightly from 27.28 cents in September and the lowest average monthly price for this quality cotton since November 1959. For a comparable quality Mexican-grown cotton, the average price per pound in October was 28.31 cents.

The average price received by farmers for upland cotton in October was 32.93 cents per pound. This compares with 32.71 cents in September and 32.59 cents in October last year. (See figure 9.) The preliminary average farm price for the 1962 crop was about a cent lower than in 1961. However, because of the larger crop in 1962, the combined value of lint and cottonseed was down only slightly from 1961.

# PRICES RECEIVED BY FARMERS FOR UPLAND COTTON

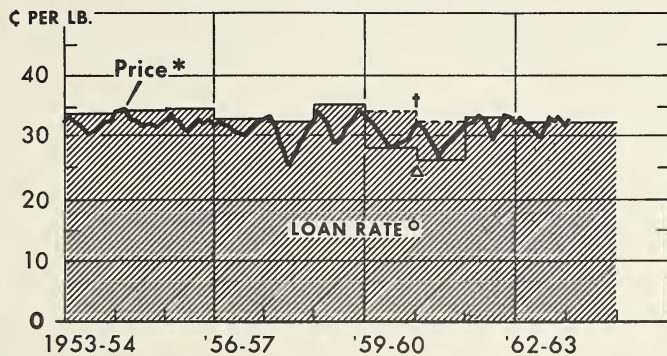


FIG. 9

BY MONTHS, YEAR BEGINNING AUG. 1. \* AV. PRICE RECEIVED BY FARMERS. • † PURCHASE RATE-CHOICE A.  
 Δ LOAN RATE-CHOICE B. ○ BASIS, MIDDLING 1-INCH STAPLE, AV. LOCATION.









WORLD MARKETS FOR AMERICAN AGRICULTURE

American agriculture is playing an expanding role in the international economy, and world markets are of increasing importance to American agriculture. Never before have international affairs and agricultural problems been more closely entwined.

I have spent the past week in Europe -- in Amsterdam, Paris, and Rome, in an intensive effort to represent the best interests of U.S. agriculture and the American economy in discussions that are taking place in these critical weeks of decision -- that could affect the future course of expanding trade and higher standards of living in the free world. Our representatives have been representing these same interests in discussions looking forward to next spring's GATT negotiations.

I therefore welcome this opportunity to discuss with you the place of American agriculture in world affairs, and particularly to emphasize the importance of the principles for which the United States is now taking a firm stand. It is of utmost importance that the American people understand the importance of these principles -- that they realize how much is at stake, both for growth of the U.S. economy and for economic progress in the rest of the world, in the international implementation of these principles.

The expanding role of agriculture in the U.S. economy is highlighted by facts and figures you have already had set before you in this

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Address by Secretary of Agriculture Orville L. Freeman at 41st Annual National Agricultural Outlook Conference, 5:00 p.m. (EST), November 20, 1963, Jefferson Auditorium, U.S. Department of Agriculture, Washington, D. C.

Outlook Conference. A recapitulation of a few of these figures and projections is in order.

U. S. agricultural exports have risen rapidly over the last few years. Averaging less than \$4 billion annually in the late 50's, they have been over \$5 billion annually thus far in the 60's, and are projected to pass the \$6 billion level in the late 60's. In fact, they may even approximate that \$6 billion in the current year, depending on the extent to which U.S. trade meets the especially high demand resulting from this year's unusually bad weather conditions in the Soviet Bloc nations. U. S. farm exports now exceed those of Canada, Australia and Argentina combined.

U. S. agricultural exports have risen not only quantitatively, but also proportionately. Historically, our farm exports have represented a declining share of our total exports, but this trend has recently been reversed. We have been working hard to expand our agricultural markets, and, as you have already heard in previous Outlook papers, farm exports are now expanding much more rapidly than other exports. The agricultural share of total exports was 18 percent in 1953, while in 1962 it represented 24 percent of total exports.

Agriculture's share of total U.S. exports can and should increase still further: first, because of our efficiency in production; second, because of the world's needs; and third, because in the long run economic progress and higher standards in the importing countries -- and I speak now particularly of the highly developed industrial nations of Western Europe -- will depend on their granting of access to their markets of agricultural imports from countries that have a greater comparative advantage in production.

I believe this principle of the economic advantages of expanding international trade is generally recognized by the importing countries. But they -- like we -- have problems of supporting incomes of their farmers. The European Economic Community is now trying to develop a Common Agricultural Policy that will meet the various domestic political problems of the respective countries and still further the goal of a closer knit community. The direction this CAP may take is of critical importance to the outlook for American agricultural exports. There are danger signs. Some proposals now under active consideration in the EEC would, according to best estimates from information now available, seriously curtail our markets, and would mean the establishment of new, highly protective barriers in Western Europe.

The United States does not presume to interfere with domestic farm programs of the EEC nations. We do, however, seek to remind them of their international obligations. We do remind them that one year ago the agriculture members of the OECD agreed at Paris on the following:

"The solution of domestic agricultural problems should not jeopardize international trade in agricultural products. To this end, member countries and groups of member countries should formulate their agricultural policies in the light of international trade responsibilities as well as of domestic considerations.

"In view of the necessity for agricultural producing nations to remain acutely aware of their international responsibilities in the trade field, they should avoid stimulating uneconomic production which jeopardize the development of international agricultural trade."

Whatever domestic agricultural programs they may choose, we do intend to press for continued fair, competitive access to their markets for our proportionate share. We do intend to emphasize to our free world partners and our NATO allies that our ability to continue to make our very

substantial contributions to that partnership and that alliance -- contributions that began with the Marshall Plan and that include Food for Peace and other assistance all over the free world -- our ability to continue these contributions depends on their willingness to assure us access to their markets in order that we can achieve a balance of payments position that make such contributions possible.

We do intend to press for these principles of access to markets and expanding trade in agricultural products in all of the forums and negotiations in which we participate. We do intend to point out that, with the kind of trading arrangements we envisage as rational developments in today's world, trade and aid can be teamed up to promote economic growth in both the so-called "developed" as well as the developing nations, to the end that we can make a reality of the promise of abundance that today's science and technology make possible.

We hope, and will continue to work, for conditions that will enable us to expand our exports of farm products. Meanwhile let us look at what effects this year's (fiscal 1963-64) record exports can be expected to have on American agriculture.

Wheat exports in 1963-64 are currently estimated at one billion bushels, assuming prospective sales of about 200 million bushels to the Soviet Bloc. This would be about 350 million bushels more than was exported last year. These larger wheat exports and a slightly smaller wheat crop this year will permit us to reduce our large carryover stocks by about 450 million bushels. But we still will have between 700-800 million bushels on hand next June 30. Carryover stocks will be 100-200 million bushels

more than the amount we need to carry for stabilization and security reserves. We will have ample stocks of wheat and feed grains on hand.

Substantial savings in government costs will take place if wheat stocks decrease by the expected 450 million bushels. Government costs for storage, interest, transportation, and moving wheat into and out of storage have amounted to about 25 cents a bushel a year. On the average, wheat taken over under government programs has been held about five years. Thus, total government costs for each bushel taken over have averaged around \$1.25 a bushel. Therefore, reduction in wheat stocks by 450 million bushels this year could mean eventual savings in government costs for storage, transportation, interest, and handling of \$500-600 million. These sales also mean that we will recover most of the purchase price of the wheat when we took it over.

Larger agricultural exports will make an important contribution to improvement of our balance of payments position. Total commercial sales for dollars may advance to \$4.2 billion this fiscal year as compared with \$3.5 billion last year. Wheat, cotton, and soybeans account for most of this expected rise in dollar sales.

These record exports, however, do not significantly change the production, price and income problems of American agriculture; and even the prospect of expanding exports cannot, standing alone, be regarded as the long-term solution of our agricultural problems.

In the first place we must recognize that the high level of wheat exports this year will be the result of extremely poor crop conditions not only in the USSR and Eastern Europe, but also in most of Western



Europe. Although unfavorable conditions could occur next year, we should base our plans on the expectation of more normal harvests in the rest of the world and a normal long-run level of wheat exports.

We need to keep in mind that despite poor crops in Europe and the Soviet Union, world wheat production in 1963 is near record volume. We also need to recognize that recovery of wheat production to previous levels in the Soviet Union and Eastern Europe may occur next year. In the United States, spring wheat yields per seeded acre nearly doubled from the drought year of 1936 to 1937. A similar change is possible in the new lands area of the Soviet Union next year. The Soviet Union has had annual exports of 175-225 million bushels of wheat and substantial amounts of other grains in recent years. It may well again become an important exporter of grain during the next few years.

In the second place, we must note that the expected rise in exports of wheat is small compared with our total grain production capacity. This year we will harvest about 190 million tons of wheat, rye, corn, barley, oats, and sorghum grain from about 153 million acres. If we export 200 million bushels of wheat to the Soviet Bloc this would be equivalent to the output from about 7 or 8 million acres. But 7 or 8 million acres still is very small compared with the acreage available for increasing grain production. We have about 25 million acres in the feed grain program and also other acres that could be used to expand grain production.

The best information we have available indicates that a net addition of 40 million acres of cropland would readily go into production

by 1967 in absence of effective land-use adjustment programs. Crops would again be harvested from 330 million acres or more, instead of the 291 million expected this year.

Finally, in the third place, we need to remember that crop yields are rising. Our agricultural production capacity is increasing. Programs to improve farm prices and incomes and to achieve an agricultural production pattern that is balanced with market outlets, including foreign markets, will be essential in the years ahead. This highlights the crucial importance of our vigorous efforts to maintain and expand our access to markets abroad.

We need to consider foreign markets both in the developed countries and in the underdeveloped countries. About two-thirds of our agricultural exports go to developed countries and about one-third to the underdeveloped. This also is true of total exports. Less than 2 percent of our agricultural exports have gone to Eastern European countries in the last few years.

It is important to note that our exports are distributed between the developed and underdeveloped countries in about the same way as total income. Developed countries outside the United States (excluding the Soviet Bloc) account for about two-thirds of world income and the underdeveloped for about one-third. Developed and underdeveloped countries each import about \$20 worth of all products for each \$100 of income. They import from the United States about \$1 worth of agricultural products for each \$100 of income. Economic growth and income abroad means larger foreign markets for agricultural and industrial products for the United States.

In the last decade, imports of agricultural and industrial products by foreign countries have moved upward at about the same rate as economic growth and increases in income abroad. We believe this also will be true in the decade ahead.

If incomes and imports of foreign countries increase at 1950-61 rates, total agricultural exports of the United States would increase to \$9-10 billion dollars by 1980 or nearly double the amounts in the last few years. The developed countries would be importing about 55 percent of the total and the underdeveloped about 45 percent.

Much depends upon what we do to build foreign markets. Agricultural trade will not be increased to the full extent possible and desirable without both effective foreign market development programs and programs to promote economic growth in developing countries.

We need to recognize that agricultural production capacity in developed countries abroad also is being increased by modern technology at a rate more rapid than growth of population and domestic market outlets. These countries face farm production, price, and income problems similar in many respects to those of the United States. On the other hand, agricultural production in the underdeveloped countries is not increasing as rapidly as necessary for accelerating national economic growth. Moreover, it is not likely to do so for some years ahead. It will take time to improve agricultural technology in these countries.

Expanding our agricultural trade on a mutually beneficial basis with other countries requires that attention be given to the following five points:

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USDA 3923-63

1. Development of domestic agricultural programs that support farm prices and incomes but avoid output in excess of quantities that can be used. We recognize that other countries also have farm price and income problems when advancing technology causes farm output to increase more rapidly than market outlets. Countries that have relied upon imports to meet a substantial part of their requirements for agricultural products may find it convenient to satisfy a larger part of their requirements from expanding domestic production. Where this is done by pursuing protectionist policies for domestic agriculture that reduces imports from lower cost sources abroad, it obviously interferes with agricultural trade expansion and the international specialization in agricultural production required for improving welfare of people in exporting as well as importing countries. Thus our position in international negotiations is that other countries, not just the United States, have obligations to avoid excessive agricultural production that results in price-depressing surpluses in world markets. In a common interest in better international economic and political relationships, they, too, are obligated to keep access to their markets open to efficient producers.

2. Encouragement of multilateral trade. Freer trade policies, not increased impediments to trade, are required for rapid economic growth of underdeveloped as well as developed countries. It is recognized that removal of tariff and other barriers to trade must be a gradual process, in order that appropriate internal adjustments can take place, and that incomes of those affected can be protected. At the same time, we need to move ahead with gradual reduction of tariff and other barriers to expansion

of foreign trade. The Trade Expansion Act of 1962 provides a new vehicle for expanding world trade. Agricultural products need to be considered together with industrial products. We have insisted upon this in arrangements being made for tariff reduction negotiations that will get underway under GATT next May in Geneva, Switzerland.

It is often said that trade is a two-way street. Of course, a country must be able to sell abroad in order to buy abroad. But international trade takes place on numerous streets. International trade accounts are not balanced on a simple product-for-product or country-by-country basis. Many nations, in varying degrees, engage in bilateral trading arrangements. But it should be recognized that bilateral trade is an inadequate answer to modern needs. Bilateral trading violates economic laws of comparative advantage; it imposes obstacles to the optimum allocation of the world's resources. It prevents the free determination of the real value of a country's currency. By limiting competition, it imposes rigidities upon production and price structures. It represents a closed, rather than an open, trading society. Only through the multilateral approach can we meet the needs of this mid-Twentieth Century.

3. Sharing markets with one another. Completely free trade obviously is not possible immediately or even desirable. This is especially true in the case of agriculture where, in the absence of stabilization measures, wide variations in production from one year to the next lead to even wider variations in prices for farm products. Prices of agricultural products in international markets need to be stabilized to avoid catastrophic fluctuations in export earnings that otherwise would occur from one year to the next for many countries. I have suggested that

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national agricultural policies be harmonized, working through the medium of international commodity agreements such as those envisaged in the setting up of GATT Cereals, Meat, and Dairy Groups. Measures are especially needed to stabilize and gradually improve the foreign exchange earnings of the less developed countries. Many underdeveloped countries rely upon agricultural and other primary products for 70-80 percent of their export earnings.

4. Food aid for accelerating economic growth in underdeveloped countries. Expanding agricultural production capacity in the developed countries can make essential contributions to economic growth of underdeveloped countries. As I pointed out earlier, developing countries find it difficult to expand food production as rapidly as required to keep pace with increased demands resulting from population and income growth. We have a humanitarian interest in helping less fortunate people abroad. But we also have an economic interest in seeing the less developed countries achieve economic growth. It will enable them to become better markets and better trading partners. The developed countries must make effective use of their growing agricultural abundance to build a basis for increased trade in the future, in the great, untapped potential markets in developing nations.

The United States has been the pioneer in providing food aid, and certainly the experience of the United States demonstrates the value of aid in promoting trade. The first dramatic program of aid on which the United States embarked was the Marshall Plan. The nations that received assistance under that program are now among our best customers. Our Food



for Peace program has already resulted in substantial market gains. Japan, a former beneficiary of Food for Peace, is now the largest single commercial purchaser of American farm products. Other countries like Spain, Israel, Greece and Formosa, are becoming cash customers.

If the developed nations of the world, those with surplus productive capacity that can be channeled into aid for rapidly developing nations, could fully realize the extent to which such aid could rapidly be translated into an expansion of commercial trade, a coordinated program could be developed. Such a program should include worldwide liberalization of trade. It should include a sharing among all the prosperous, highly developed nations, of the effort to provide essential aid to developing nations. It should include a recognition of the need for those developing nations to export products, in many instances primary agricultural products, and it should therefore provide for stabilization of prices and expansion of markets for those products. It would both impose obligations and provide benefits for developed and developing nations alike.

5. Accelerating progress in improving agriculture in underdeveloped countries. Economic development in the less developed countries will require more than food aid shipments. Food requirements in less developed countries resulting from population and income growth are expected to increase at a rate around 4 percent a year. The bulk of the food consumed by people in underdeveloped countries still will need to come from domestic sources. There is great need for finding ways of increasing agricultural output and productivity in the less developed regions. Without it, national economic growth will be slow if not impossible. Agriculture

is the dominant economic sector in underdeveloped countries, accounting for 60-80 percent of the total labor force and for nearly half of national income. Emphasis on improving the handling, marketing, and processing of food and fiber also is important both in maximizing the contribution of domestically produced farm commodities and in utilizing food aid contributions.

We are faced with challenges and opportunities for service in agriculture on a world-wide basis as great as those in any area. Two-thirds of the people of the Free World live in less developed countries. The challenge of agriculture in these countries is to provide adequate nutrition for the people, and to promote economic growth by supplying food at low cost, by releasing workers for industry, by supplying capital for other economic sectors, and by earning foreign exchange through exports.

U. S. agriculture has done an outstanding job of contributing to our national economic growth in all these ways. We are challenged today to make the most effective use of our resources for technical assistance and food aid to accelerate agricultural development abroad and thereby contribute to national economic growth of the underdeveloped countries.

I believe that trade and aid, together, are essential if American agriculture is to maximize its contribution toward greater prosperity and higher levels of living both at home and abroad. They are important aspects of the whole, complex framework within which we seek to provide American farmers with the opportunity to earn higher incomes. They are indispensable if we are to make the promise of abundance a reality in this world.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

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OUTLOOK FOR FOOD CONSUMPTION AND PRICES

Talk by Stephen J. Hiemstra  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 9:00 A.M., Wednesday, November 20, 1963

Demand for Food

Demand for food is determined primarily by the size of the population and the purchasing power of consumers. The total quantity of food we eat per person does not change much from year to year, but expenditures for food may vary depending upon incomes of consumers and prices and quantities of the various foods (including services) offered for sale (fig. 1).

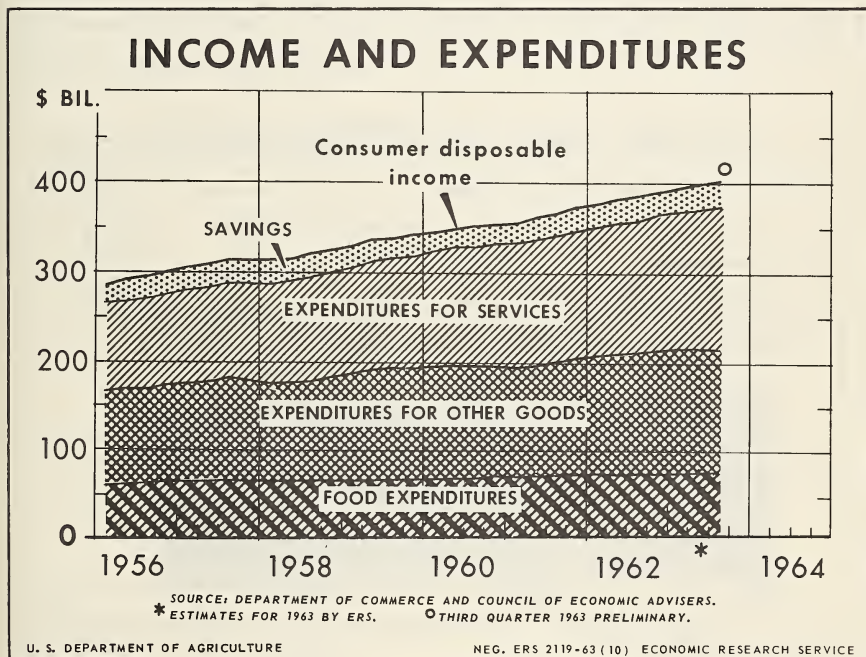


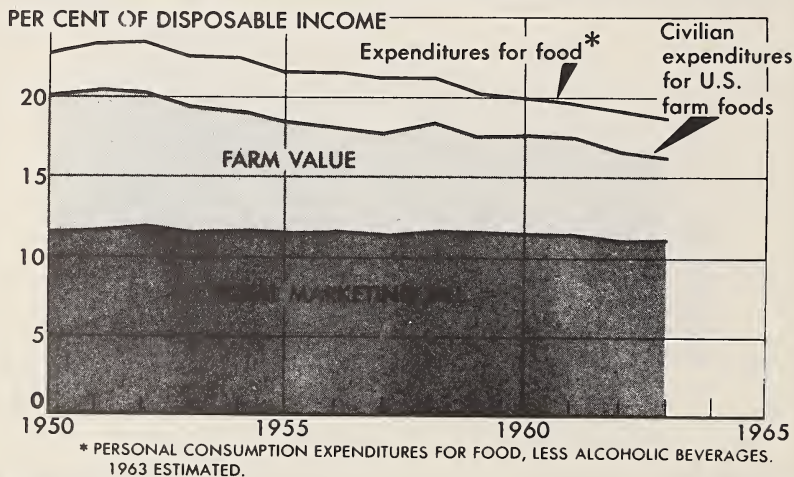
Figure 1

We've been told earlier this week that present prospects point to continued expansion in our economy next year. Contributing factors are further increases in consumer spending, business investment, and government purchases. Population likely will expand about  $1\frac{1}{2}$  percent, about the same as in 1963. Improved profits are in prospect for businessmen as utilization of plant and equipment steps up in response to rising output, sales, and improved consumer demand. The strength of this demand will be conditioned in large measure by the final outcome of the proposed cut in personal income taxes. We are anticipating an increase in disposable income in 1964 equal to or perhaps larger than this year's rise.

### Food Expenditures

Total food expenditures in 1964 may outrun the 1963 increase of about 3 percent, if the current outlook for disposable income is achieved. Food expenditures normally trend upward with income, but only about two-thirds as fast. Disposable income is up about  $4\frac{1}{2}$  percent this year compared with the 3-percent rise in food expenditures. Last year income was up 5.5 percent and food expenditures were up 3.8 percent.

## FOOD BILL TAKES LESS OF SPENDABLE INCOME



U. S. DEPARTMENT OF AGRICULTURE

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Figure 2



For every dollar of increase in disposable income in 1963, around 15 cents is being spent for food -- this includes food bought in restaurants and other eating places as well as that bought in grocery stores. But of all disposable income earned this year, an average of nearly 19 percent is being spent for food (fig. 2). The tendency for consumers to spend less of the annual increase in income for food than the average of all income has persisted through most of the postwar period. It reflects an income elasticity of food expenditures that is well below one. For this reason, there has been an almost steady decline in the proportion of disposable income spent for food in the last decade. The proportion dropped from  $23\frac{1}{2}$  percent of income in 1951 to 19 percent in 1963. And for 1964, it looks as if it may be down to about  $18\frac{1}{2}$  percent.

Aside from Department of Commerce's series on expenditure for food, the chart shows civilian expenditures for foods originating on U. S. farms, as computed by Economic Research Service. The ERS series omits imported foods, fish and other seafoods, home-produced food, and food furnished by the Government to the Armed Forces. However, it includes certain items such as meals served in hospitals and on airlines, and other expenditures omitted from the Commerce series to avoid duplicate in the National Income Accounts.

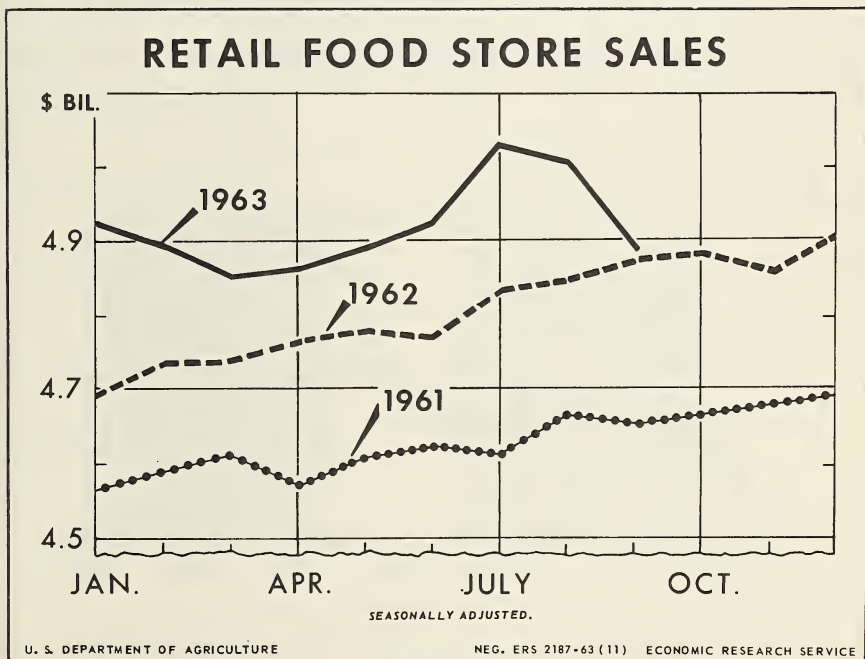


Figure 3



U. S. farm food expenditures are composed of farm value and the total marketing bill (which includes the cost of processing, distribution, and marketing). The decline in proportion of income spent for food in the last decade has come primarily from a decline in farm value relative to disposable income. Both the farm value and income rose, but income went up much faster than did the farm value. On the other hand, the total marketing bill has remained almost steady as a proportion of disposable income. It implies a high elasticity of demand for marketing services.

Retail food store sales, which include sales of nonfood items, have not gone up as sharply this year as they did in 1962 (fig. 3). Sales in the second quarter of 1963 averaged about the same as in the first quarter, on a seasonally adjusted basis. The third quarter was up on the average, but as you see, it was quite irregular. July and August were sharply above the previous year, but September sales exceeded year-earlier sales only slightly. For the 9 months, sales were 3 percent ahead of the same months in 1962. Sales of eating and drinking places have been running ahead of last year at a somewhat faster rate than have those of retail food stores, as is normal. They were up 5 percent in the same 9 months. About 90 percent of total retail food store sales are made by grocery stores, the other 10 percent by meat markets and

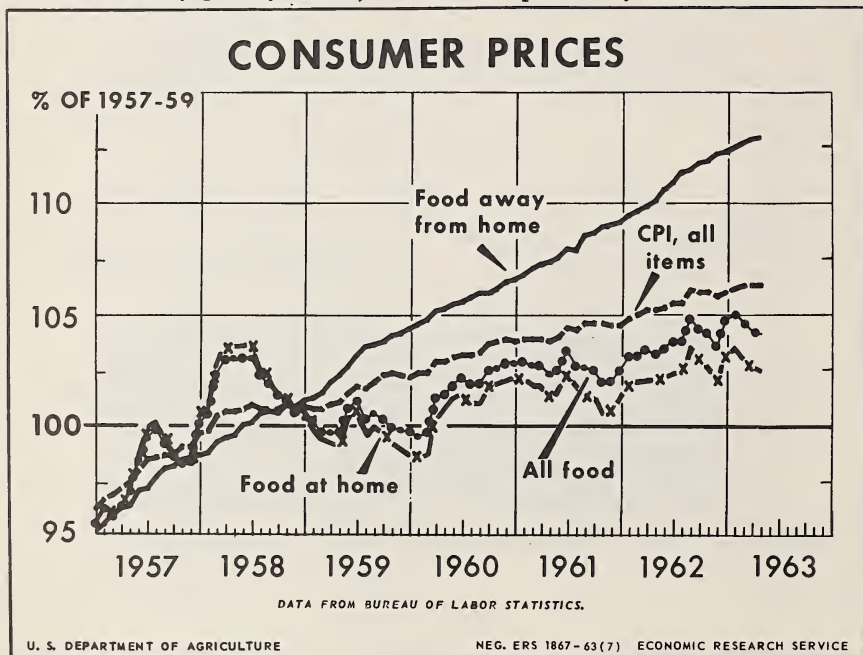


Figure 4

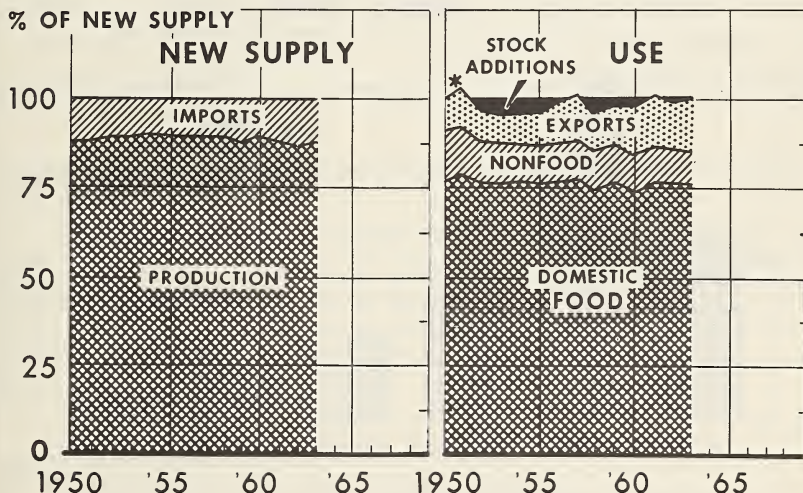
other specialized food stores. According to trade sources, grocery stores sell about half of the total value of all food products consumed.

### Retail Food Prices

Food prices in 1963 are averaging about  $1\frac{1}{2}$  percent above last year's level (fig. 4). This rise is somewhat greater than in recent years. Charges per unit for processing and marketing foods originating on U. S. farms rose 4 percent during 1963, about twice the average rate of increase in the last decade. Average retail prices of food from livestock products in 1963 are down slightly from 1962. But prices of food from crops are up by 3 or 4 percent, due partly to Florida's freeze-damage and high sugar prices. Prices of food purchased and consumed away from home are up the usual  $2\frac{1}{2}$  percent. The total price increase for all food slightly exceeds the average rise in the Consumer Price Index (all commodities and services) in 1963, in contrast to the more usual case of the CPI going up more than its food component.

Of all food used at home, that from livestock products and from crops each account for about two-fifths of the total weight in the Bureau of Labor Statistics' All Food Index. Food purchased as meals and eaten away from home makes up the remaining one-fifth.

## SUPPLY AND USE OF FARM PRODUCTS



PROCESSED AND UNPROCESSED  
 FARM COMMODITIES COMBINED IN TERMS OF 1957-59 FARM PRICES. FEED AND SEED EXCLUDED.

\* USE EXCEEDING 100 PERCENT IMPLIES STOCK DEPLETION.

Figure 5

During 1964, retail food prices may creep upward as they have in most postwar years, but the rise is expected to be less than the increase in 1963. Retail prices of food from livestock products in 1964 are expected to average about the same as in 1963. Some upward price pressure may develop on foods from crops, as was the case in 1963. Further increases can be expected in prices of food consumed in restaurants and other away-from-home eating places. The 1964 increase likely will be a continuation of the strong uptrend in these prices since they were first reported in 1953.

#### Supply and Use of Farm Products

Current farm production furnishes about seven-eighths of our total annual requirements (fig. 5). The rest is imported. These proportions have remained very stable from year to year. The most important imported item is coffee and the next is sugar.

The major use of our farm products is for food (excluding intermediate uses for feed and seed). Domestic food use takes about three-fourths of our annual new supply. One-tenth of the total is for domestic use of nonfood products such as cotton, tobacco, and wool, and byproducts and nonfood uses of food



Figure 6

# TRENDS IN OUR EATING HABITS\*

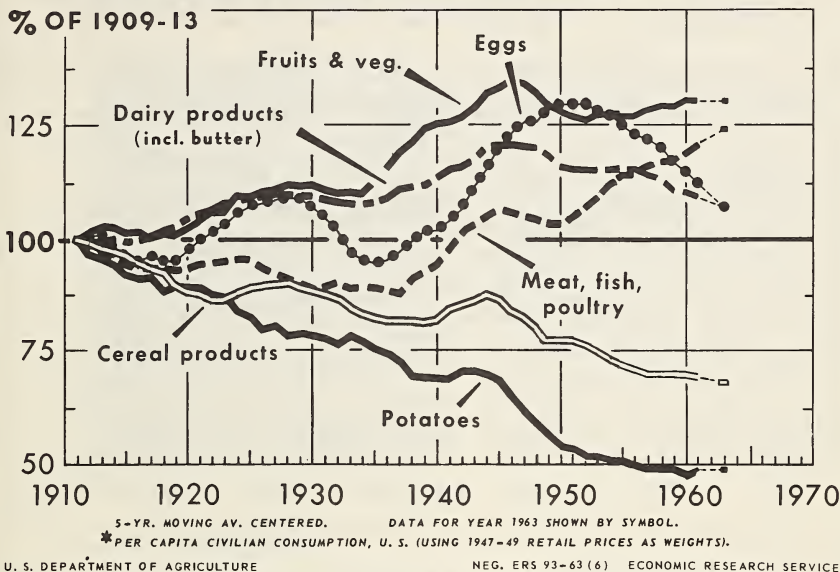


Figure 7

products. Nonfood use<sup>a</sup> has been declining as a proportion of the total in recent years.

Exports of farm products account for a larger part of total supply than imports. In the past decade our net export position in agricultural products has increased significantly. Wheat is our most important exported farm product (fig. 6). Wheat exports in the fourth quarter of 1963 and in 1964 are expected to rise sharply because of reduced production in major producing countries and prospective shipments to the Communist Bloc.

## Per Capita Consumption Trends

Long-term trends show that per capita we are eating more meat, fish and poultry, dairy products, eggs, and fruits and vegetables, but less cereal products and potatoes than in past decades (fig. 7).

But many of these long-time trends have been modified or reversed in recent years. Declines since the late 1940's in per capita consumption of dairy products and eggs are notable examples. Total fruit and vegetable consumption seems to have stabilized, though a number of changes have taken



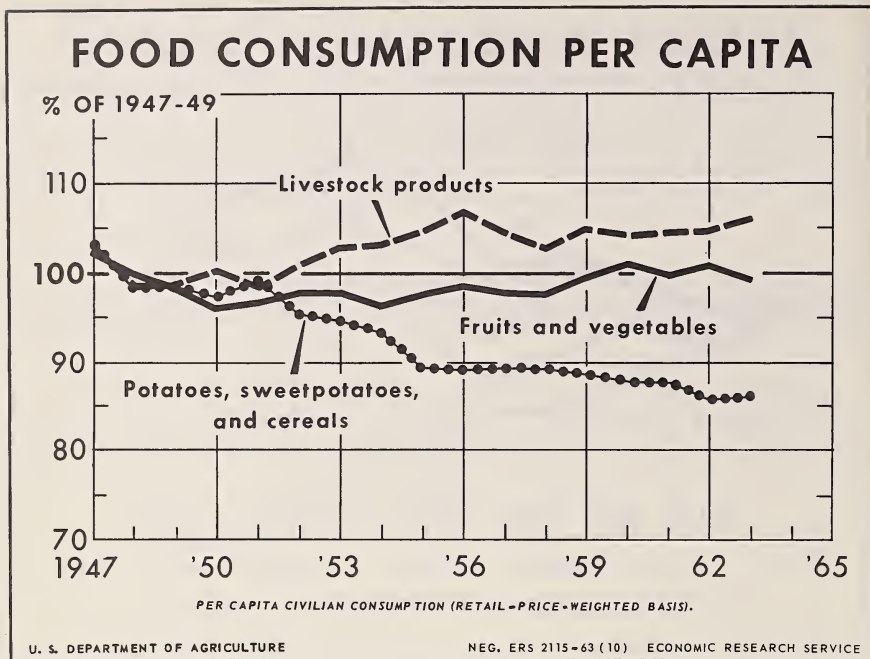


Figure 8

place within this large and heterogeneous group. Even potato consumption is holding its own or rising, thanks to the introduction of new products, such as Phil Dvoskin will be discussing later this morning. But per capita consumption of cereals and potatoes combined is still declining, and livestock product consumption as a group continues to rise (fig. 8).

Total food consumption in 1963 is up about 2 percent from last year (price-weighted index). Since population is up about  $1\frac{1}{2}$  percent, per capita food consumption is up about half of 1 percent. Even though this sounds like a small increase, it is the largest since 1959. Since 1947-49, per capita food consumption has increased a total of only  $\frac{1}{4}$  percent.

## Consumption and Prices of Food From Livestock Products

Retail price and consumption trends of most food products have diverged in recent years. It is particularly noticeable for most livestock products (fig. 9). Poultry meat is the prime example of sharply rising consumption per capita and rapidly declining retail prices since 1950. Dairy product consumption declined during this period, but prices went up rather consistently.

## FOODS FROM LIVESTOCK PRODUCTS

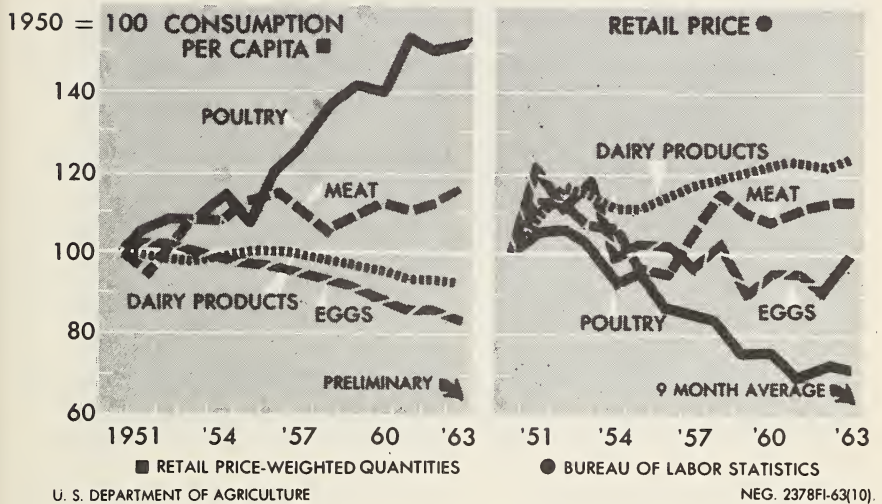


Figure 9

Egg consumption and prices are both down -- suggesting a downtrend in demand for eggs. In contrast, meat consumption trended upward, as did its average price -- which suggests a rise in demand for total meat.

In 1963, red meat consumption per capita is totaling about 170 pounds, carcass equivalent, up 4 percent from 1962. Most of this increase is in beef, up an estimated 7 percent, to a record 95 pounds per capita. Consumption in the final quarter of the year is expected to be up sharply. Veal and lamb consumption are both down from last year. Pork consumption is up about 1 pound for the year to 65 pounds, but is running below year-earlier rates in the final months of the year.

The outlook for 1964 is for total meat consumption per capita to remain near 1963 levels. Some further rise may occur in beef consumption, but no repeat of 1963's sharp increase is in prospect. Pork consumption may be down slightly from 1963.



Broiler consumption per capita in 1963 is up slightly from 1962 but turkey consumption is about steady. In total, poultry consumption is slightly larger for the year, and a further small increase is foreseen for 1964. Per capita egg consumption in 1963 is down by 2 or 3 percent. Production in the winter months is expected to run ahead of the year-earlier period, but the 1964 outlook is for per capita consumption to continue near the 1963 level.

Fish consumption is down in 1963. Despite lower fish landings, lower imports, and higher exports, cold storage stocks on October 1 were 8 percent larger than a year earlier.

Per capita consumption of all dairy products in 1963 is holding about steady with last year's level, even though total production is down. Since population is up  $1\frac{1}{2}$  percent, storage stocks are being reduced. Some declines are occurring in per capita consumption of fluid whole milk and cream, condensed and evaporated milk, and cottage cheese. But they are being offset by increases in consumption of other cheese, ice cream, fluid skim milk, and non-fat dry milk. In 1964, little change is expected in consumption per capita of total dairy products, but further shifts may occur among dairy products.

In the first 9 months of 1963, retail prices of livestock products were generally steady to lower than in the same months of 1962. An exception was egg prices, up 3 percent. Meat and chicken prices normally decline in the final months of the year. This year's decline for meat may be more than seasonal because of unusually large supplies. The outlook for 1964 is for retail prices of livestock products to average about the same as in 1963. However, there may be some price declines for beef, eggs, and other products expected to be in large supply.

#### Consumption and Prices of Food From Crops

Per capita consumption of most foods from crops has been steady to lower since 1950, but retail prices have been steady to higher due partly to increases in demand for certain items (fig. 10). Vegetable oil consumption has increased nearly one-fifth since 1950. But 1963 consumption of all fats and oils (including butter) is slightly below 1950. Prices of fats and oils have vacillated but are not much above the 1950 level.

Fruit and vegetable consumption is up slightly since 1950, but retail prices are up strongly -- indicating a strong demand for these foods, and reflecting costs of increased processing. Consumption of fresh fruits and vegetables is down substantially, but consumption of canned and frozen items is up considerably during this period. Consumption of sugar and sirups has held very stable over time, but average prices of sugar and other sweets have worked upward since 1950. Per capita consumption of cereal products has declined steadily while retail prices of cereal and bakery products have risen sharply.

In 1963, consumption per capita of fats and oils is running a little below 1962. Further declines are taking place for animal fats; lard and butter

## FOODS FROM CROPS

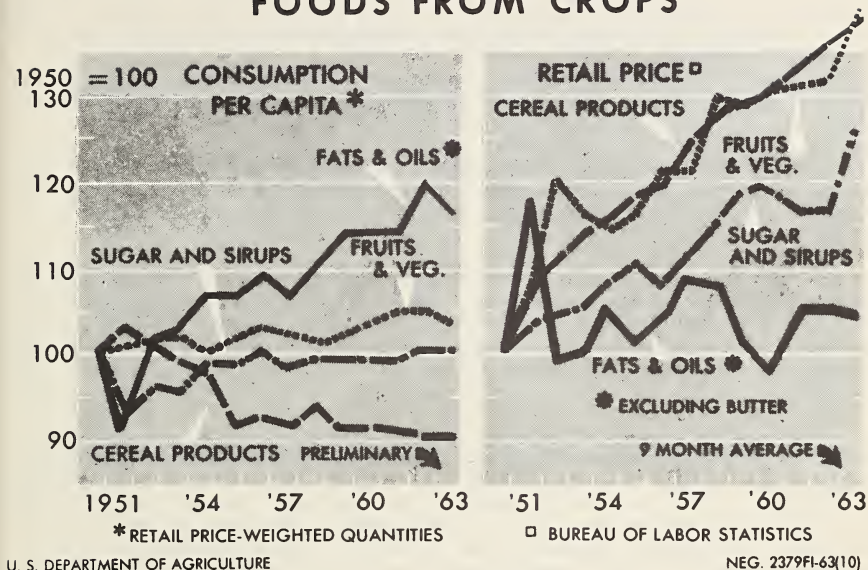


Figure 10

are both down. Consumption of margarine is up slightly but consumption of salad and cooking oils is down from 1962. The outlook for 1964 is for per capita consumption of total fats and oils to remain about steady with 1963's 45½ pounds (fat content). Consumption of vegetable oils may increase and animal fats decline further.

Fruit consumption is down rather sharply in 1963 compared with 1962, mostly because of the freeze damage to citrus fruit. Both fresh and processed fruit consumption are down, but fresh and frozen items are down more than canned fruit. Canned fruit juice consumption is up, largely as a result of an increase in pineapple juice used extensively in fruit drinks. Dried fruit consumption is running ahead of 1962. Some recovery is in prospect for consumption of fresh fruit next year. Citrus consumption likely will increase a little but is expected to remain well below levels of recent years because of tree damage. The consumption of canned fruits and all juices is expected to decline below that of 1963. Tree nut consumption is much greater this year than last. Pecan supplies are at record-large volume after last year's short crop.

Per capita consumption of vegetables in 1963 is running about the same as last year. Slight declines in fresh consumption are being offset by modest increases in processed items, particularly frozen vegetables. Fresh tomato consumption is down, but tomato juice is up for the year. The outlook for 1964 is for stability of consumption in fresh vegetables and some slight rise in processed vegetables. Potato consumption in 1963 is running slightly above 1962 because of increased use of processed potatoes, but sweetpotatoe consumption is down slightly. No change in consumption of potatoes is expected in 1964.

Wheat flour and other cereal product consumption per capita in 1963 is about steady with 1962. Total supply of food grains continues to exceed domestic food use by a large margin. No important changes are foreseen for 1964.

Despite price gyrations, a fractional rise in per capita consumption of sugars and sirups combined is taking place in 1963. Per capita consumption of corn sirup is rising about 4 percent, and corn sugar is rising about 7 percent. But use of these items is minor compared with cane and beet sugar. Next year's consumption of sugars and sirups combined again is expected to be about steady with 1963.

Reduced supplies of fruits and certain vegetables caused average retail prices of all fruits and vegetables to rise 6 percent in the first 9 months of 1963 compared with the same months of 1962. Sugar and sweets averaged 8 percent higher. Cereal and bakery product prices were up 2 percent, about in line with their long-term trend. In the final months of the year, prices of fruits are expected to decline seasonally but remain well above year-earlier levels. No repeat of 1963's unusual supply conditions for foods from crops is anticipated for 1964. But some selective increases may occur in prices of foods that have trended upward during the past decade. Further price increases can be expected in processed fruits whose stocks are being reduced in 1963.

### Summary

The food consumption and price situation can be summarized briefly: Food consumption per capita in 1963 is up about half of 1 percent and the 1964 outlook is for continuation at about this year's level. Retail food prices this year are running about 1-1/2 percent ahead of last year. The increases are mostly in prices of foods from crops. Retail food prices in 1964 likely will continue their long-term uptrend, but the rise is expected to be less than occurred this year. With increasing population and larger incomes in prospect for 1964, food expenditures are expected to rise next year. The rise may exceed the 3 percent increase in 1963.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

MARKETS AND NEW PRODUCTS

Talk by Philip B. Dvoskin  
Marketing Economics Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 10:15 A. M., Wednesday, November 20, 1963

This has been another good year for the American consumer. Except for a frigid blast at the citrus belt mother nature collaborated with the farmer again to produce an abundance of food and fiber. Add to this abundance food prices that have been fairly well in line with last year, another increase in disposable incomes and you have good news. This is illustrated by the fact that the percent of income spent for food continues to decline, down from 23 percent in 1953 to an estimated 19 percent in 1963. (fig. 1) <sup>1/</sup> When you compare what we spend for food with the proportion of income devoted to food even by the highly developed Western European economies, roughly a third, the well being of the U. S. consumer is even more notable.

Other evidence that this has been a good year for consumers are the several congressional activities relating to investigations of drugs and drug prices, pesticides and the so-called truth-in-packaging and truth-in-lending hearings. All of these activities focus on the well being of the consumer. In addition, a recent action by the Department reflects its awareness of the growing power of the consumer. This is evidenced by the appointment of an Assistant Secretary, whose area of responsibility has the newly coined name of, Marketing and Consumer Services.

There is however, some doubt in my mind as to how good a year this has been for the farmer, but I shall leave the specifics of such an appraisal to my colleagues speaking at the General and Commodity Sessions of this Conference.

Basic trends in food consumption.--Before turning to my assigned topic new food products, let's first orient ourselves about the outlook for the food industry by taking a look at some of the basic trends affecting food consumption. Probably the most important factor influencing food consumption in our highly developed technological economy is population and its growth. As you know we recently have passed the 190 million mark in the U. S. and the Census Bureau's latest projection calls for our population to reach 245 million by 1980, about 30 percent above the present number. This means that there will be about 55 million more people consuming an average of about 1400 pounds of food a year. In this regard, an item of some importance is that, beginning in the late 60's, the projected population will have a sizeable increase in the 15 to 19-year-old age group. This group is expected to increase 50 percent which means about

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<sup>1/</sup> "Consumer Expenditures for Food," Marketing and Transportation Situation, p. 13, August 1963, ERS, USDA.



9 million more teenagers than we have today. If I may inject a personal observation, based on an admittedly small sample of teenagers in my family, there is no doubt those 9 million extra teenagers will have a strong positive effect on total food consumption. Offsetting this "guesstimated" consumption increase somewhat will be a larger proportion of senior citizens in the projected population composition. In any event these anticipated changes in the size and age composition of our population will contribute to an increasing total demand for food in the years ahead. (fig. 2)

We also can expect that the kinds of foods consumed and the form in which foods are bought will continue to change and change markedly as they have in the past. Looking at the long term trend it is obvious that people are eating more meats and poultry products, processed fruits and vegetables and some dairy products per person than in 1909-13. The shift has been away from fresh fruits, fresh vegetables, cereals, sweetpotatoes, and potatoes. You will note though that potatoes on the chart shows a slight movement upward since 1959. We take some pride in this since our work on potato flakes, a form of dehydrated mashed potatoes, has been important to this upward movement. (fig. 3)

In addition there are many other important factors creating a favorable outlook for food, particularly for those food products falling into the convenience category. More women working, increases in discretionary income, more knowledge about nutrition, higher educational levels, plus the continued flow of new products, should help keep food sales rising in the decade ahead. An item of interest to consumers is contained in our recently released convenience food study which indicated that while most convenience foods were more expensive than home-prepared items the comparatively small number of less expensive convenience foods, that housewives buy in volume, actually reduce total expenditures for food. Now as some of you know, our convenience food study was based on 1960 retail prices obtained in chain and independent supermarkets. We have taken a check of these same items and found that the same relationships (i. e., cost-saving of convenience vs. home-prepared items per \$100 expenditures for all foods) still held true this fall. These findings are tentative at best since prices were obtained in supermarkets in only one market, Washington, D. C. (table 1)

Research and development and the food industry.--The food industry also has had a good year. Although net profits are down a bit, this has been another record sales year for the food industry. There is general agreement that new food products have played an important part in generating this record sales level as well as in bolstering a slightly sagging level of profits. In addition, we can credit, in part, innovations in food processing with providing the impetus for our modern system of production and marketing of agricultural products. However, in the past year or so, despite the impressive contributions of innovation, there have been some doubts raised about the value of the increasing amounts being spent on research and development. These doubts have been reinforced by the fact that despite a tripling of research and development expenditures since 1952, our rate of economic growth has crept along at a comparative snail's pace. 2/

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2/ "Why So Few Really New Products," Joyce, Walter, Printers Ink, February 1, 1963.

The recently released preliminary report of the National Science Foundation provides some interesting insights as to where the R and D dollar is being spent. 3/ In 1962, industrial firms accounted for nearly three fourths of the nation's total research and development performance of about \$16 billion. Although more than half of the total industrial research and development funds were federally financed, the interesting statistic, as it concerns the consumer, is that the food industry, the largest industry in the United States from a sales point of view accounted for less than 1 percent (\$108 million) of the total R and D performance. Of course, as expected, space and defense industries used 60 percent of the R and D funds. Most of the possible applications developing from such research activities will be in the industrial area.

Perhaps the present level of expenditures for research and development represents all that can be efficiently used in this research area by the food industry. On the other hand, it may be that if the disparity in R and D outlays by the food industry compared to other groups continue we can look for further encroachments by nonagricultural source materials not only in the industrial and fiber area but in the food area as well.

New packaging developments.--Some of the expenditures for research and development in other industries probably will have some useful applications in the food area. We are all acquainted with the squeeze food tubes used by our astronauts in their space flights. One company already has made application of these squeeze food tubes to the baby feeding area. An aluminum squeeze tube has been fitted with a hollow handled plastic spoon which can be attached to the neck of the tube. Presto! You have what appears to be a convenient and highly imaginative package for feeding infants or bedridden patients. According to a recent issue of Food Technology, an aluminum food tube filled with applesauce is moving into a market test. 4/ The same article reports some other interesting packaging developments in the food product and beverage field. The development of the easy to open can for beverages, an improved thin tin can and the development and improvement of aluminum containers appear to be giving the metal can a new lease on life in the food field. However competition remains keen with improved glass containers as well as plastic and paper packaging materials also being developed rapidly.

The Department's own Southern Laboratory has been doing some interesting work in developing edible coatings for food products. While this has been talked about for many a year, some of the newly modified fat products developed at the laboratory show promise in the edible packaging field.

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3/ Research and Development in American Industry 1962, National Science Foundation, No. 40, Washington, D. C., September 1963.

4/ "Technical Problems Presented by New Containers and Materials," Brighton, K. W., Riester, D. W., and Braun, O. G., Food Technology, September 1963, Vol. 17, No. 9.



New food product developments.--The emphasis in product development will continue to be in terms of concentration of products. A large share of the concentrate output will continue to be produced by the already established methods of freezing, dehydration and canning but an increasing share of the output will include new methods of dehydration or combinations of dehydration and freezing. Dehydro-freezing, foam-mat and vacuum puff drying and freeze drying are examples. These increases will come about as production costs are reduced and product quality is improved. Part of the impetus for this growth of new dehydrated products will come from the prepared food manufacturers themselves who are continually looking for satisfactory new forms of ingredients that will enable them to produce new combinations of food at a lower cost. This aspect is related to the trend in the food industry toward products with built-in chef as well as maid service using exotic recipes prepared in the factory. High incomes also have resulted in more restaurant eating, but mass feeding operations have been affected by higher wage rates and higher costs which in turn have resulted in a growing demand for portion controlled foods which can be produced in centralized kitchens. In other words, processed foods are apt to be the forerunner of automation in the food manufacturing and service industries. But the greatest incentive for new product development relates directly to consumer demand. It is being bolstered continually by increasing amounts of disposable income available to buy convenient, ready-to-eat, high quality food products. In addition, we must remember that changing consumer tastes and preferences, changes in the age and ethnic composition of the population and changes in attitudes regarding the status of certain foods such as potatoes also contribute to the upward trend in new food product developments.

The Western Laboratory has made considerable progress in developing some new food concepts as well as moving closer to commercial conditions for some of the products mentioned in my earlier talks at the Family Living Sessions. On the new side the Western Lab has developed a gelled applesauce similar in appearance and consistency to cranberry sauce. It may be served in the same way as cranberry sauce, and is particularly good with pork. Also the can can be warmed and when this applesauce turns to liquid it can be poured into a food mold over pieces of fruit, berries, vegetables, nuts, raisins or meat. This product could provide an additional outlet needed for the increasing quantities of processing grade apples available in the Pacific northwest.

A nonsetting raisin paste may soon join fig paste as a filling in newtons and other bakery products. Also of interest to the raisin industry and the entire dried fruit industry is DBD a new method of artificially drying fruit. The DBD refers to the sequence of operations used dry-blanch-dry. These fruits have excellent flavor and color. Some resemble their sun dried counterparts, but most important the method produces excellent quality products and also reduces product loss by relieving sanitation problems encountered in sun-drying. The process also extends drying to fruits which have not been too successfully dried by sun-drying. This is particularly true of peaches. Although the DBD process costs are higher than sun-drying, the advantages may in time offset the cost factor in selected uses. And thus, it could provide the various dried fruit industries with new outlets for their products.

Our colleagues in the West still are working on our old friend wheat bulgur and have recently developed a new process for making instant bulgur by puffing. The method, similar to the one used by the Eastern Laboratory for

fruit and vegetable pieces, will make it possible to produce a line of dry bulgur products as convenience foods or to use it as an ingredient in easy to prepare dishes.

A frozen avocado salad similar to a fresh avocado recipe known as guacamole in Mexico, has been developed by the Southern Laboratory. This product was developed in an effort to find a processing outlet for avocados that are unsuited for fresh markets because of blemishes or other defects but whose interior is otherwise sound. The product does show considerable promise, mainly because it fits into the growing trend toward convenience foods in the institutional and household markets. The Southern Lab also has been working strenuously on its foam-mat orange juice powder in trying to improve its flavor and stability. Work also is underway on a foam-mat dried grapefruit juice powder. These powders have possibilities both in the domestic and in foreign markets.

Use of dehydrated egg products will increase in importance as their functional properties are improved, they are particularly helpful in reducing plant costs and waste in food manufacturing plants. Fool-proof methods of destroying salmonella could lead to greater use of these egg products in such convenience foods as prepared omelet mixes. As a matter of fact, last month at the Food Editors Conference in Chicago, an announcement was made about the introduction of instant omelet mixes. This product will use a blend of freeze dried ingredients and dehydrated whole egg solids that will require no refrigeration. 5/

Our work on the market possibilities for frozen bakery products indicates that the freezing preservation of bakery products will grow in importance, as a means of achieving reductions both in bakery production and in distribution costs. The frozen products permit, less frequent production and local distribution and large centralized plants that ship to distant markets.

We have work underway to determine acceptance and market potential for varying levels of fat and solids in beverage milk. We are doing this work to throw some light on the possibility of expanding consumption of fluid milk by manipulating the solids content.

Instant sweetpotato flakes, which we discussed in some detail last year are now a commercial reality. There are now two plants producing sweetpotato flakes, at least one more in the final stage of construction. Up to now distribution of the product has been limited almost entirely to the food service industry, particularly restaurants. Introduction into the retail market appears to be fairly near at hand. We are conducting several small scale research operations to give us some insights into the relative acceptability of different package types in supermarkets.

The outlook.--The emphasis on food processing innovations is going to have a marked effect on various sectors of the food industry. For example, more refrigerated and freezer space will be required in the supermarket of the future to accommodate the new frozen foods as well as to provide the space for less

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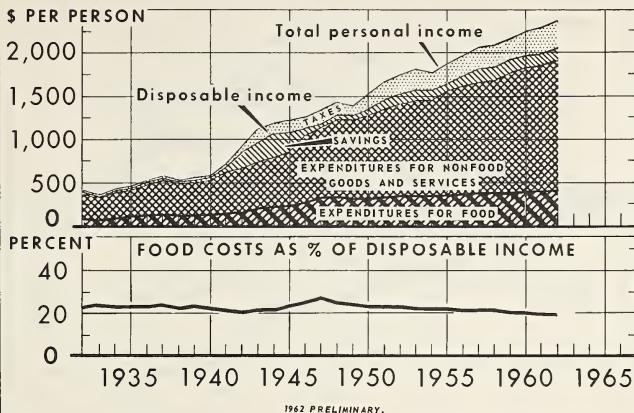
5/ "New Products on the Way," The Evening Star, October 3, 1963, Washington, D. C.

frequent but larger deliveries of frozen bakery products. More shelf space also will be required for displaying the many new dehydrated foods, since many of these concentrated products do not necessarily come in concentrated packages. Look at what has happened to the potato! This slide shows that the institutional and household consumer can find today 51 different kinds of processed potato products for sale. This does not include different brands but only different product categories. In 1957 when we made the market test for white potato flakes we found only 7 processed potato product categories on retail shelves.

Another outgrowth of increased emphasis on food processing innovations will be the impact on the size and location of processing facilities. The trend will be toward larger more fully integrated facilities which will tend to lower processing costs and allow for better quality control. We can almost predict with certainty that the new dehydration processing techniques will result in greater reductions in transportation and other marketing costs for foods which are produced relatively far from markets. Longer growing seasons which permit more specialized production and longer operation in processing plants with high fixed costs also will become more important in determining the location of new processing facilities. The West, particularly the Pacific coast area more fully meets the above criteria. As a result the West will likely gain more in the production of new processed foods relative to other regions.

One last thought about outlook. Many of us have talked about the "Golden 60's," but the sluggishness of our economy has tarnished the gold somewhat. However, population growth, the changing composition of the population, the greater amounts of disposable income available to consumers, plus the continued flow of new product and process developments in the food field, all may help restore some luster to the remaining years of the decade. These trends almost insure an optimistic outlook for the food industry, the consumer and maybe even the farmer.

# FOOD COSTS & CONSUMER INCOMES

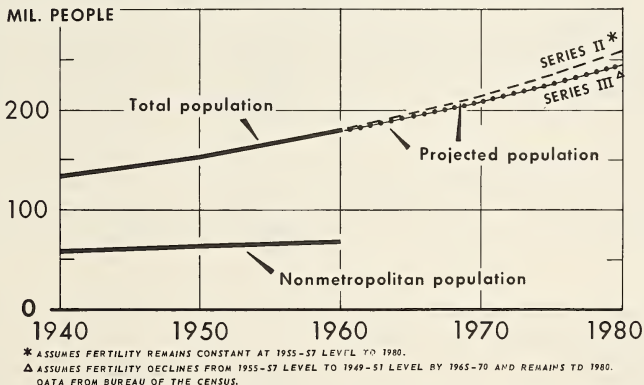


U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 592-63 (1) ECONOMIC RESEARCH SERVICE

Figure 1

# TOTAL AND NONMETROPOLITAN POPULATION, UNITED STATES



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1337X-63 (6) ECONOMIC RESEARCH SERVICE

Figure 2

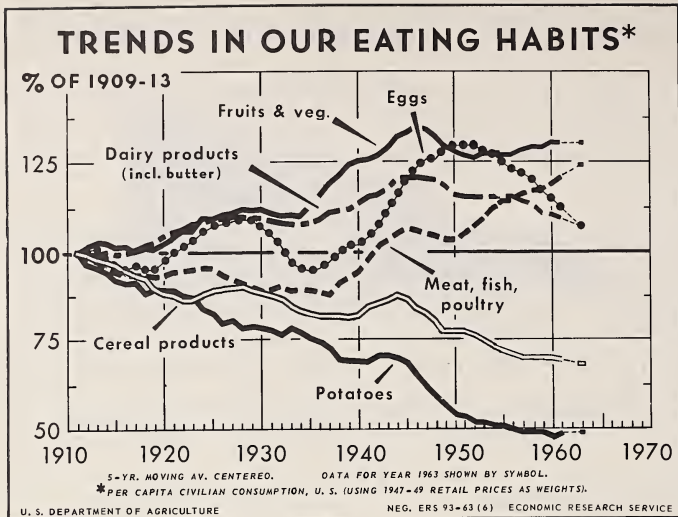


Figure 3

Table 1.--Effect of convenience foods on food costs per \$100 expenditure for all food in grocery stores 1/

Period	: U. S. Farm :	: Other <u>2/</u> :	: Total
	: Foods :	: Dollars :	: Dollars
	: Dollars	: Dollars	: Dollars
12-months 1959-60	:	:	:
Amount spent for convenience foods.:	12.55	1.48	14.03
Cost of equal number of servings of:			
home-prepared.....:	<u>12.82</u>	<u>2.28</u>	<u>15.10</u>
Difference.....:	<u>-.27</u>	<u>-.80</u>	<u>-1.07</u>
September 1959	:	:	:
Amount spent for convenience foods.:	12.66	1.50	14.16
Cost of equal number of servings of:			
home-prepared.....:	<u>12.94</u>	<u>2.30</u>	<u>15.24</u>
Difference.....:	<u>-.28</u>	<u>-.80</u>	<u>-1.08</u>
September 1963	:	:	:
Amount spent for convenience foods.:	12.86	1.45	14.31
Cost of equal number of servings of:			
home-prepared.....:	<u>13.47</u>	<u>2.19</u>	<u>15.66</u>
Difference.....:	<u>-.61</u>	<u>-.74</u>	<u>-1.35</u>

1/ Adjustments were made for foods which were not available during all three periods to make the data comparable.

2/ Includes coffee, tea, fish and shellfish.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

YOUR MONEY'S WORTH IN FOODS

Talk by Betty B. Peterkin  
Consumer and Food Economics Research Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 11:30 a.m. Wednesday, November 20, 1963

Dollars spent for health, well-being and pleasure through food good are dollars well spent. On this all agree. Even so, almost every homemaker is guilty of an inward groan as the total cost of her groceries is recorded on the cash register--realizing that in a week or a few days the food will be gone and she will be back to pay again. Could she spend less and still put foods on her family table that cover nutritional needs, that her family enjoys, that she has time to prepare? Probably she could if she makes a deliberate selection of foods based on the knowledge of such things as food values, quality of food, and price per serving.

Today's supermarket offers a delightful array of food items. They may be fresh, canned, frozen, or dehydrated--with no built-in preparation, partially prepared, or completely prepared for the table--marketed as single foods or in combination with other foods according to a variety of very special recipes--in a variety of sizes of cartons, cans, and packages under a variety of brand names. Also offered in many supermarkets for the homemaker's convenience and distraction are a wide assortment of nonfood items from aspirin and toothpaste to furniture and lawn fertilizer.

Tomorrow's supermarket promises even more food items and nonfood items--each bidding for a part of the family dollar. Some homemakers, including many who "groan" at food costs, are not seriously concerned about the amount they spend. Satisfaction from eating the foods they prefer and convenience of preparation are their primary considerations. Other homemakers who want to buy economically and still feed their families well face the ever-increasing need for an organized approach in making food choices. It is about these homemakers that we are talking today. They must be experts at spotting food bargains.

A food advertised as a "bargain" or "best buy" is usually a food that costs less than it cost last week and less than it will cost next week or a food that costs less than the same food in other stores in the area. Whether this food represents a bargain to one particular family is dependent on many things.



1. Is it offered at a conveniently located store? Money saved on a food item at a store a few blocks away may be more than used for the gasoline or bus fare it takes to get there and back. Even if the bargain represents a real saving in money, the busy homemaker may find it too costly in time to shop around for food bargains. This homemaker should choose a convenient and generally low-cost store and stick to it.
2. Will the family eat and enjoy it? No food is a bargain if the family will not eat it. However, a little persistence on the part of the meal planner may turn a disliked food into a family favorite. A different method of preparation or special care in serving may do the trick. Ideas, particularly of children, as to what is good to eat change as the food becomes more familiar, as it is accepted by others around them, or for no apparent reason at all.
3. Is it packaged in a quantity that meets family needs? Large cans and packages may represent a saving over small cans and packages of the same food. If, however, the large container means leftovers that eventually are discarded, it is no bargain.
4. Can it be properly stored at home until used? Very large quantities can often be purchased at low unit cost--a quarter of beef, a bushel of apples, or a case of green beans. If such items can be properly stored to prevent spoilage and are not in such large quantities that the family will tire of them before they are used, they represent a real saving.
5. Does the homemaker have time and skill to prepare it? Few homemakers are interested in preparing all foods from "scratch" even if it means money saved. To most, making bread at home for example, is too time consuming to be worth the pennies saved. The store offers more and more foods that are prepared or partially prepared for the homemaker's convenience. The cost of this preparation sometimes, but not always, adds to the price of the food item. The homemaker who knows how much more she pays for frozen French fried potatoes than for those she prepares at home is able to make a wise decision as to whether the time she saves is worth the extra amount paid.
6. How does its cost compare with the cost of other foods of similar food value? The money-wise shopper knows which kinds or groups of foods go together to make up a good diet. She economizes by selecting best buys from each of these groups of foods.
7. Does it fit into a meal plan that is good with respect to nutrient needs and family appeal? A grocery list made from carefully planned menus serves as a weapon against impulse buying. Occasionally the "Oh, that looks good," item is a welcome change and a good buy, but more often it is a costly item that should be avoided if the grocery bill is to be held in check. The whim to throw caution to the wind and splurge on an expensive favorite is sometimes a tonic to meals--a fine idea--if

the budget is not too tight. On the other hand, it is a skilled shopper indeed who can make purchases that fit her family's needs economically without the safeguard of the grocery list. She must always be alert to the pitfall of the impulse buy--the out-of-season fruit, the costly ready-prepared items or snacks that add little to a good diet and much to the grocery bill.

Many different combinations of foods will provide nutrients for an adequate diet. 1/ A 25-year-old man can meet his day's needs by consuming 2 cups of reconstituted nonfat dry milk, 3 cups of cooked dry beans, 5 medium-sized potatoes, 10 slices of white enriched bread, and 6 ounces of margarine all at a cost of less than 50 cents. Few of us would care to eat at his table, but we can get some valuable clues from his economical choices. Milk is our most economical and widely acceptable means of getting calcium--the nutrient most often short in diets in the United States. Milk also provides riboflavin, one of the B vitamins, for the least money. Whole grain and enriched flour, cereals, and baked goods and dry beans and peas are inexpensive sources of seven of the nine key nutrients. Potatoes are a good buy in thiamine and niacin, two of the B vitamins, and in vitamin C. Citrus fruits, however, are our best buys in vitamin C, and dark-green and deep-yellow vegetables are by far the most economical sources of vitamin A.

The Daily Food Guide 2/, developed by USDA, is an excellent aid to the homemaker in selecting a nutritious diet, and one that will be less monotonous than the one above. The Daily Food Guide specifies the number of servings of foods from four broad food groups, milk, meat, vegetables and fruits, and bread and cereals, that will provide the main part of the day's nutrient needs.

Using the guide the homemaker can establish a meal pattern for the day that meets the demands of her family's schedule. Breakfast may be a big meal eaten early which includes a main dish of eggs or meat or both, a cereal or pancakes, fruit or fruit juice and beverage; or it may be a quick and easy breakfast of fruit, ready-to-eat cereal and milk. The noon meal may be the main meal of the day with meat, vegetables, a salad, and dessert; or it may consist of a packed lunch for some members of the family and a light meal at home for others. The evening meal, on the other hand, may be a light supper or the main meal of the day. Snacks will also be a part of the pattern. Saturday and Sunday meal patterns may be somewhat different from those on week days.

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1/ Five food plans at different cost levels have been developed using as criteria the relative nutritional economy of different groups of foods, the nutritional needs of individuals (NRC daily dietary allowances), and the suitability of the food in relation to meal patterns common in the U. S. These plans specify the quantities of 11 food groups which will supply nutrient needs of individuals in 17 sex-age groupings and for women during pregnancy and lactation. The development and use of these plans are described in a publication issued in November 1962, "Family Food Plans and Food Costs," HERR No. 20, USDA.

2/ Food for Fitness...A Daily Food Guide, Leaflet No. 424, USDA.

Within the framework of the meal pattern the specific foods must be selected for each day. It is with these selections that the food bargain hunt begins. What will the menu include for main dishes? Which high vitamin C food should be included? What in-season vegetables and fruits are available at reasonable cost per serving? Should a vegetable be purchased in the fresh, canned, or frozen form? Would it be best to get the large or small container? Should the dessert be made from scratch, prepared from a mix, or purchased ready-to-eat? What is done in these respects can mean money saved. The difference of a few cents on each serving may mean a few dollars on the week's groceries--saved for piano lessons for a child, or new drapes for the living room. In some instances wise grocery purchases will make it possible for the family to eat better even though the same amount of money is spent.

Let's see how it works for the four broad food groups.

### Buying for Nutrient Return

Main dish items offer fine possibilities for savings. These protein-rich foods--meat, poultry, fish, eggs, cheese, dry beans and peas, nuts and peanut butter--account for almost 40 cents of every dollar spent for food in the United States. The range in the cost of a serving of these foods is wide.

The real main dish bargains provide protein  $\frac{3}{4}$  at low cost. Such bargains can be found by comparing the costs of the quantities of different meats and meat alternates which will furnish equal amounts of protein. The costs of quantities of some commonly used main dish items needed to provide one-third of the National Research Council's recommended daily dietary allowance of protein for a 25-year-old man (23.3 grams) are shown on Slides 1 and 2. These costs, based on Bureau of Labor Statistics average retail prices, and prices from a Washington, D. C. supermarket, January 1963 are presented only as an example.

Dry beans, cheese, peanut butter, and eggs are all good buys in protein regardless of usual price variation. About 1-1/2 cups of cooked or canned beans, 4 ounces of American cheese, 3/4 cup of cottage cheese, 5 tablespoons of peanut butter or 3 eggs will provide one-third of a day's protein. Dry beans and peas represent a real protein bargain, because of their low cost. Even though larger quantities of these foods than of meats are needed to provide equal protein, food bills can be cut if they are used in place of or in combination with meats in some meals.

The price per pound of meat is often misleading as a bargain indicator. Quantities of meat as purchased needed to furnish a specified amount of protein

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<sup>3/</sup> Nutritive values of foods used in this paper are from Composition of Foods, Agriculture Handbook No. 8 (Revision, in press) USDA or from Nutritive Value of Foods, Home and Garden Bul. No. 72, USDA.

are widely different depending on (1) the amount of bone, gristle, and excess fat included in the purchase, (2) the amount of weight lost in cooking, and (3) the protein content of the ready-to-eat food. Taking round steak and pork roast as an example, we see according to the chart that each provided protein at about the same cost. The round steak purchased with the bone cut out and with little excess fat cost \$1.11 a pound and the roast pork purchased with bone in and containing considerable excess fat cost only 67 cents a pound. A pound of round steak yields almost 10 ounces and a pound of pork roast yields only 6 ounces of cooked lean meat. On the other hand, a pound of turkey or chicken yields about the same cooked lean as the pork roast--6 to 7 ounces--but provides protein more economically because of its relatively low price per pound. Beef liver combined a high yield of cooked lean and a moderate cost for an outstanding buy in protein and other nutrients as well.

Generally a 2-1/2 to 3-1/2 ounce serving of cooked lean meat from beef, pork, lamb, veal, chicken, turkey, and fish will provide one-third of the protein allowance for the 25-year-old man. However, about 10 slices of bacon with its high fat content, 4 frankfurters, 7 slices of bologna and 6 fish sticks are required to provide this amount of protein. These main dish items which are among the less costly per serving are not protein bargains.

A weekend special or variation in prices from season to season or from store to store may effect the bargain rating of a meat considerably. For example, a special price of 29¢ a pound would make the chicken cost 10¢ for 1/3 days protein instead of the 15¢ shown in the chart, computed at 40¢ per pound. A table for each calculation of the cost of one-third of a day's allowance of protein from 26 commonly used main dish items at current local prices is provided in the June 1963 issue of Family Economics Review.

Computing the cost of protein from different cuts of meat is too much arithmetic to be useful to the homemaker in comparing costs of the meat counter. Fortunately, there is a far simpler and fairly accurate way for her to choose the best buys in protein. With the exception of sausages, bacon and breaded portions, equal size servings of the cooked lean from most cuts and types of meat, poultry, and fish provide similar amounts of protein. Therefore, the cuts which cost least per serving of cooked lean are usually the best buys in protein. The homemaker can compare the costs of servings or of amounts of different meats needed to feed her family, assuming these amounts yield similar quantities of cooked lean, to roughly determine the least expensive source. That is, a third of the price of a roast which will feed the family for three meals can be compared with the cost of a package of chops that will be used at one meal.

Further savings at the meat counter can be realized if cuts best suited to the cooking method planned are purchased, and if lower cost grades are utilized.

Milk and its products are counted on to furnish a large part of the day's needs for calcium for both children and adults. Milk is also a valuable source of other minerals and vitamins and gives high quality protein.



Milk can be included in the diet in several forms, some costing much less than others (slide 3). Fresh whole milk is the most popular and the most expensive form. Nonfat dry milk can be used for less than one-third the cost of whole fluid milk. Let us see how much a family of two adults and two children using the amount of milk recommended in the food guide--21 quarts a week--could save by changing their milk buying and using habits in any of these ways: Washington, D. C. prices were used for this example -

They could save 2 cents a quart or 42¢ a week if they bought in half-gallon instead of quart containers.

They could save another 2 cents a quart for a total of 84¢ if they got milk at the store--not through home delivery.

They could save 4 cents a quart or 84¢ if they used skim milk\* instead of whole milk bought at the store.

They could save \$2.10 a week if they mixed one-half nonfat dry milk reconstituted\* and one-half whole milk bought at the store.

They could save \$4.20 a week if they used all nonfat dry milk\* instead of whole milk bought at the store.

They could save 2 cents for each cup of evaporated milk used in cooking, or for coffee, in place of whole milk.

They could save 5 cents for each cup of reconstituted nonfat dry milk\* used in cooking in place of whole milk.

Slide 4 shows the costs of cheese and ice cream in amounts which would provide the calcium of 1 cup of whole milk, using prices from a Washington, D. C. supermarket, January 1963. With the exception of American cheddar and Swiss cheeses the relatively large quantities of these milk products needed to furnish the calcium of 1 cup of milk make them expensive sources of calcium.

Four or more servings of vegetables and fruits daily are suggested in the daily food guide. These include a dark-green and deep-yellow vegetable at least every other day for its vitamin A value, and a citrus fruit or juice or other vegetable or fruit providing liberal amounts of vitamin C at least once a day.

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\*Reconstituted nonfat dry milk, buttermilk, and fluid skim milk furnish only a little more than half the calories or whole milk--an advantage to weight watchers and a disadvantage to persons needing more food energy. Vitamin A value found in the fat of whole milk is not present in these more economical nonfat products unless added by the manufacturer.

The major vitamin A and vitamin C providers are the best buys regardless of fluctuations in price because they contribute so much more of these important vitamins than other vegetables and fruits. For example, one-half sweetpotato will supply the daily vitamin A needed for a young man, but it would take 2 heads of lettuce to furnish an equal amount. It is not reasonable to assume that a person would choose to get his entire vitamin A quota for the day by eating 2 heads of lettuce--but if he did, the cost of the lettuce would be more than that of the one-half sweetpotato. Likewise, the cost of 7-1/2 bananas which would provide a day's allowance of vitamin C is greater than the cost of a medium-size orange which also gives a day's need.

The cost of a day's allowance of vitamin A for a 25-year-old man, using prices in a Washington, D. C., supermarket in January 1963, varied considerably even among some of the good sources. (Slide 5)

The day's allowance of vitamin A which can be gotten from a serving or less of carrots, fresh and frozen greens or sweetpotatoes cost 2 to 5 cents. Two servings of canned apricots and fresh and frozen broccoli are needed for a day's allowance, costing 11 to 14 cents. The one-half cantaloupe, out-of-season, provided a day's need for 20 cents; and the three fresh tomatoes, out-of-season, cost 39 cents. Canned tomatoes, because of their lower cost, supplied the day's allowance of vitamin A at 11 cents.

The cost of a day's allowance of vitamin C also varies among better sources as shown in slide 6.

Of these selected items, orange juice from fresh Florida oranges, from frozen concentrate, or canned ready-to-drink were best buys in vitamin C at 4 cents per day's allowance. The day's allowance from grapefruit and navel oranges cost about twice as much. Four average servings of baked potato and canned potatoes are needed for a day's allowance of vitamin C, but they were fairly inexpensive sources due to their low cost per serving. Fresh tomatoes and cantaloupe, out-of-season, were the most expensive sources among these selected items.

After selections of the vitamin A and vitamin C rich vegetables and fruits are made to meet the family needs, nutritional contribution of the other fruits and vegetables used is not an important consideration. Choices may be made purely on the basis of cost.

To determine precisely which of two or more of these items is the least costly, the cost of the same amount or quantity of ready-to-eat food should be compared. The cost of a serving of food is often used as a basis for comparison. For example, one #2-1/2 can of pears yields about 3-1/2 cups--or seven 1/2 cup servings. Priced at 39 cents a can, one serving costs about 6 cents (39/7). On the other hand, a serving of applesauce from a #303 can which contains four 1/2 cup servings and costs 14 cents would cost 3-1/2 cents. (14/4). A few cents saving on a serving may seem unimportant. However, the family of four could save \$1.12 a week on vegetables and fruits alone if 2¢ per serving were cut from costs of two menu items daily. With the wide range in prices of vegetables and fruits,



such savings are available to the shopper who wants to cut food costs. At the same store and on the same day as the canned pears and applesauce were priced, serving costs were computed for 80 commonly used vegetable and fruit products--fresh, frozen, and canned. Costs varied from less than 2 cents per serving for fresh carrots, cabbage, and potatoes to more than 10 cents per serving for fresh tomatoes, asparagus, navel oranges, strawberries, and pears.

Price variations from season to season and from week to week make calculating the cost of a serving a never-ending job. There are some items which can be counted on for low cost--fresh cabbage, carrots, and potatoes, canned tomatoes and tomato juice, and canned and frozen citrus juices. These are all valuable contributors of either vitamins A or C. Costing only slightly more are most canned vegetables--green beans, peas, corn, carrots, and some of the less expensive canned fruits--peaches, pineapple, applesauce, and fruit cocktail.

The homemaker who finds the cost-of-a-serving calculation too much arithmetic can compare costs of cans, packages, and pounds of fresh produce which best fit the family needs for one meal. The contents of a can or package or two cans or two packages, are sometimes a little more or a little less than the family appetite for one meal requires. Even so, the homemaker will probably "make do" with the container that best fits her need by giving larger or smaller servings. Thus, the cost of a container or containers of frozen or canned products and the cost of the quantity of fresh vegetables or fruits which best fit the needs of a family for one meal can be compared even though the actual quantities are not exactly the same. For a family of four, for example, the cost of a package of frozen peas (19-1/2¢), 2 pounds of fresh peas (38¢), and a #303 can of peas (18¢) might be compared.

Such comparisons, when made between different kinds of vegetables or fruits, do not take into account differences in nutritional contributions that may exist. If care is taken to include in the menu a good source of vitamin C daily and a good source of vitamin A every other day, this is not an important consideration.

The daily food guide calls for 4 or more servings of any of the following--whole grain, enriched, or restored bread and cereals:

Bread, cooked cereals, ready-to-eat cereals, cornmeal, crackers, flour, grits, macaroni, noodles, parboiled rice, rolled oats, and spaghetti. Also, biscuits, muffins, cakes, cookies, and other baked goods made with whole grain or enriched flour can be counted in the daily quota.

These foods are well-liked by most people; they are easily fitted into meal plans, and with few exceptions are inexpensive. Many commonly used breads and cereals cost less than 2-1/2 cents per serving.

Whole grain and enriched breads cost about the same per pound as unenriched breads but the whole grain and enriched breads are by far the best buys for nutrient return. Using thiamine as our nutrient indicator, white enriched bread was found to be the best bread buy in a Washington, D. C. supermarket. A pound loaf cost \$0.21. To get the same amount of thiamine as in this loaf of white enriched bread, a family would need to buy:

1.0 lb. whole-wheat bread costing .....	\$0.24
1.1 lb. dark rye bread costing .....	.28
1.4 lb. light rye bread costing .....	.34
2.1 lb. cracked-wheat bread costing .....	.52
3.5 lb. unenriched white bread costing .....	.74
4.9 lb. unenriched raisin bread costing .....	1.47

Breakfast cereals, ready-to-eat or cooked, are good buys in nutrition. They give substantial amounts of many nutrients in return for the few pennies they cost per serving. Most ready-to-eat cereals contain amounts of the B-vitamins and iron comparable to or higher than cereals cooked at home. They cost about one cent more per serving--28 cents a week for the family of four eating cereal every morning. Sugared and cocoa-flavored cereals cost one-half to one cent more per serving than regular ready-to-eat varieties.

Enriched spaghetti, macaroni, and noodles and parboiled or converted rice are also good buys nutrient wise. Unenriched spaghetti, macaroni, and noodles are inferior to enriched products in food value and, in some cases, cost considerably more. White milled rice which costs less than parboiled rice is much lower in food value and is not a real bargain.

Sugars and fats come in forms with widely varying price tags. The money-conscious homemaker should consider carefully before spending her food dollars for the more expensive of these. Calorie counters will want to forego large amounts of these items in favor of foods such as milk, meats, fruits and vegetables, and whole grain or enriched breads and cereals which give other needed nutrients.

The costs of a pound of commonly used sugars and fats priced in a Washington, D. C. supermarket and the costs of 100 calories from these items are shown below:

<u>Item</u>	<u>Cost per pound</u>	<u>Cost per 100 calories</u>	<u>Item</u>	<u>Cost per pound</u>	<u>Cost per 100 calories</u>
Sugar .....	12¢	0.7¢	Lard .....	20¢	0.5¢
Jelly .....	40¢	3.5¢	Margarine .....	28¢	.9¢
Candy bars .....	72¢	3.2¢	Salad dressing .....	28¢	1.6¢
Fancy preserves. ....	80¢	6.3¢	Vegetable shortening	29¢	.7¢
Fancy candies ..	150¢	8.0¢	Corn oil .....	32¢	.8¢
			French dressing ....	40¢	2.2¢
			Butter .....	75¢	2.3¢

## Convenience Foods Versus Home-Prepared Foods

The supermarket shelves and freezer chests are filled with foods that have been partially prepared or fully prepared for the table. Some of these foods which offer "convenience" to the homemaker cost more than similar foods prepared at home. Other convenience foods cost less than similar products prepared at home.

In a recent USDA study of 158 convenience items <sup>4/</sup>, 42 were found to be less expensive than their home-prepared counterparts and the remaining 116 were found to be more expensive. More food dollars were spent for the 42 less expensive convenience foods than for the 116 more expensive ones according to this study.

The busy homemaker, whether employed away from home or occupied with child care, homemaking, and outside activities, must budget her time as well as her money. It is to her advantage to be able to spot convenience foods which:

- (1) are acceptable to her and her family;
- (2) will save her considerable time;
- (3) add nothing or only small amounts to the food bill.

No convenience food is always less costly than its home-prepared counterparts regardless of season, store of purchase or brand. Listed below are some foods with built-in services (cleaning, squeezing, peeling, mixing or cooking) that generally cost about the same or less than foods purchased without these services being performed. For example, canned orange juice costs less than the fresh oranges needed for preparing an equal amount of juice except when fresh oranges are offered at a very special price.

Orange juice, frozen concentrate or canned  
Biscuit mix and cake mixes  
Coffee, instant  
Many vegetables, canned and frozen (if fresh vegetables are out-  
of-season)

Convenience foods that generally cost more than similar products that are cleaned, peeled, mixed, or cooked at home are:

Biscuits and rolls, frozen or ready-to-eat  
Cakes and pies, frozen and ready-to-eat  
Cereals, ready-to-eat  
Potatoes, dehydrated and frozen  
Frozen complete dinners  
Many fruits, canned and frozen (if fresh fruit is in season)

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<sup>4/</sup> "Comparative Costs to Consumers of Convenience Foods and Home-Prepared Foods", Marketing Research Report No. 609. ERS, USDA.

The relative costs of the convenience and home-prepared mixed dishes such as pot pies, beef stew, cakes, cookies, etc., are partially dependent on the degree to which recipes used for the home-prepared items duplicate those used in commercial preparation. The pot pie prepared by the homemaker may contain more meat than the frozen pie in the store--making the home-prepared pie better tasting, more nutritious, and more expensive. The homemaker's favorite cake recipe may contain more eggs and shortening than cakes made from mix or ready-to-eat cakes. Also the recipe may make a cake which is larger or smaller than the cakes from mix or ready-to-eat.

If the homemaker and her family find the convenience product acceptable as a substitute for the home-made, it is reasonable to compare the cost of preparing the homemaker's recipe with the cost of a similar amount of the convenience item--assuming that each product is a part of a diet that fills nutrient needs of the family.

### Buying the Large Container

Adding to the confusion of the shopper is the large assortment of sizes of containers--packages, bags, cans. The same type cereal may be packaged in eight 1-ounce packages, a regular 8-ounce package, a 12-ounce package, and an 18-ounce package and may be marketed by several manufacturers. Vegetables and fruits can be purchased in cans ranging in content from the buffet size containing 1 cup to the #10 size which contains 13-1/2 cups. The contents of some packages and cans have weights including fractions of an ounce--6-1/2 ounces, 13-3/4 ounces.

Large containers usually, but now always, give some cost advantage over the small containers. That is, they can be purchased at lower cost per serving, per ounce, or per pound. A quick comparison of costs at the store is best. If the limited time and confusion in the store make this too difficult, prices and sizes of containers can be jotted down for comparison at home. The next purchase of that item may be made at less expense per pound of food, if the prices have not changed.

Comparisons should be made only for containers that the family can use without waste. Comparison of foods used regularly will be the most worthwhile since the cost advantage can be realized time and again.

The weight of the contents of a package or can is shown on the label--probably in ounces or pounds and ounces. It may be in small print but it should be there. (Senator Hart's bill with regard to unfair and deceptive methods of packaging and labeling, now in committee, should, if enacted into law, insure that the consumer has more meaningful information on the contents of packages and cans.)

Below are some comparisons of costs of an ounce and a pound for different size containers using prices in a local store. These foods are not always products bearing the same brand name.

Item	Size of container	Price of container	Cost per ounce	Cost per pound
Corn flakes	8-1 oz. packs	\$ 0.33	\$ 0.081	\$ 0.66
	8 oz.	.18	.022	.36
	12 oz.	.25	.021	.33
	18 oz.	.29	.016	.26
Peaches, canned: Buffet #303, #2-1/2	8-3/4 oz.	.14	.016	.26
	16 oz.	.20	.012	.20
	29 oz.	.29	.010	.16
Frankfurters	8 oz.	.37	.046	.74
	16 oz.	.65	.041	.65
Rice, parboiled	14 oz.	.27	.019	.31
	28 oz.	.47	.017	.27
Orange juice, concentrated, frozen	6 oz.	.19	.032	.51
	12 oz.	.27	.022	.49
Peas, frozen	10 oz.	.20	.020	.30
	32 oz.	.59	.018	.30
Coffee, instant	6 oz.	.82	.137	2.19
	10 oz.	1.39	.139	2.22

Some foods represented considerable savings when purchased in large rather than small containers. Others represented little or no savings. Corn flakes packaged in individual packs cost over twice as much as corn flakes in the large package. A hot dog from a one-half pound package cost about a penny more than one from a pound package. One-half cup of orange juice made from concentrate from the 6 ounce can cost one cent more than a like serving from a 12 ounce can. There was no cost advantage in buying the 32 ounce package of frozen peas over the 10 ounce package.

In conclusion, the homemaker who wants to get the best for her money at the grocery store must --

--know her family.

What foods do they need for good nutrition?

What foods do they like or can they be encouraged to like?

How much will they eat without waste?

--know herself.

How much time can she and is she willing to give to food preparation if the price is right?

--know food values.

Which foods give big nutrient return?

How do they go together to provide total nutrient needs?

--know food prices.

Which foods are good buys in nutrients?

Which foods offer built in maid service at little or no extra cost?

Which foods cost considerably less when purchased in large quantities?

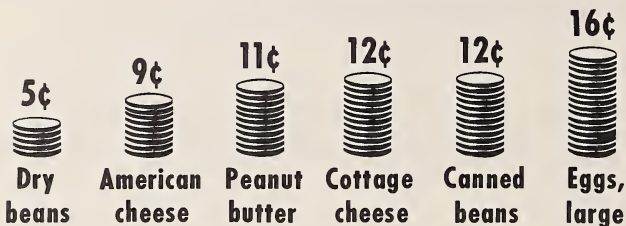
--know self control.

How can she keep from blowing the savings on a juicy steak, the fruit, out-of-season, or that delicious looking dessert at the bakery counter. Or perhaps those are the joys that her savings make possible.



## Cost of 1/3 Day's Protein,\* Jan. 1963

\*1/3 of NRC daily dietary allowance (1958) for protein for the 25 year old man. Prices from BLS and Washington D.C. Supermarket.



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NEG. 63(10) 5738 AGRICULTURAL RESEARCH SERVICE

Slide 1

## Cost of 1/3 Day's Protein,\* Jan. 1963

### FROM COOKED LEAN MEATS

\*1/3 of NRC daily dietary allowance (1958) for protein for the 25 year old man. Prices from BLS and Washington D.C. Supermarket.



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Slide 2

# Cost of 1 Cup of Milk, Jan. 1963

Prices from Washington D.C.  
Supermarket.



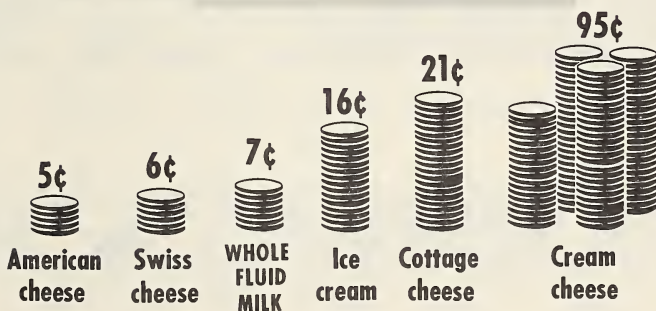
U. S. DEPARTMENT OF AGRICULTURE

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Slide 3

# Cost of Calcium of 1 Cup of Milk

FROM MILK PRODUCTS,  
JAN. 1963  
Prices from Washington D. C.  
Supermarket



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Slide 4

\*NRC allowance (1958) for the 25 year-old man.

△Fresh or frozen.

Prices from Washington D. C. Supermarket.

## Cost of a Day's Vitamin A\*, Jan. 1963

2¢



1/3 cup  
Carrots

3¢



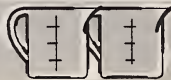
1/2 med.  
Sweet potato

3 to 5¢



1/2 cup  
Greens△

11¢



2 cups  
Tomatoes,  
conned

11 to 14¢



1 cup  
Broccoli△

13¢



1 cup  
Apricots,  
conned

20¢



2/5  
med.  
Cantaloupe

39¢



3  
med.  
Tomatoes

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Slide 5

\*NRC allowance (1958) for the 25 year-old man.

△From can, frozen concentrate or  
fresh Florida oranges.

Prices from Washington D. C. Supermarket.

## Cost of a Day's Vitamin C\*, Jan. 1963

4¢



3/4 cup  
Orange juice△

6¢



1 1/2 cup  
Cobboge, row

7¢



2/3 cup  
Broccoli

7¢



4 med.  
Potatoes

7¢



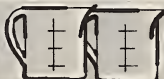
3/4  
Grapefruit

10¢



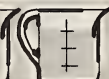
1 med.  
Orange

11¢



2 cups  
Tomatoes,  
conned

16¢



3/4 cups  
Strawberries,  
frozen

27¢



2 med.  
Tomatoes

29¢



3/5 med.  
Cantaloupe

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Slide 6

UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

(\*-\*)

RECENT CHANGES IN THE AGED POPULATION  
IN THE UNITED STATES \*

Talk by Gladys K. Bowles  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 1:30 P. M. Wednesday, November 20, 1963

At the time of the first annual agricultural outlook conference in April 1923, persons 65 and over comprised about 5 percent of the population of the United States. Now, 40 conferences later, persons of these ages number nearly 18 million and are 9.4 percent of the total. The increasing number and proportion of older persons, changes in their distribution throughout the country, and in their population characteristics have significant social and economic implications. The behavior of individuals in relation to the production and consumption of goods and services varies with age and other characteristics, as do social-psychological attitudes and welfare and public assistance requirements.

This paper deals with recent changes in the growth and selected characteristics of the elderly population in the United States. But, as T. Stanton Dietrich of Florida State University commented at the 1962 Annual Southern Conference on Gerontology:

"I do not think we must relegate the older population to a compendium of statistical facts . . . These statistics represent people. Their economic, psychological, physiological, and sociological needs have increased with their numerical growth. Thought, care, and planning are sorely needed as never before in our history . . . I would emphasize the fact that while we think of the older population as people and not simply as statistics, we also should remember they are an integral, not separate, part of our entire population." 1/

Over a third increase in decade. (Refer to table 1 and chart 1.)

Many of the trends in the growth patterns of the elderly population are widely known. Nevertheless, it is useful in this session on aging to comment briefly on some of the major changes and trends.

In April 1960, about 16.6 million people in the United States were 65 years old or older. This was an increase of 35 percent over the number of such ages in 1950. The rise was brought about in varying degrees by differences in size of cohorts of persons born between 1885 and 1894 in comparison with those born between 1875 and 1884, net immigration from other countries, and to increased expectation of life. T. Lynn Smith, of the University of Florida, has estimated that these

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\* The author wishes to acknowledge the assistance of Virginia C. Martin in the preparation of this paper.

1/ T. Stanton Dietrich. Comments on paper by T. Lynn Smith, (see footnote 2/).

factors accounted for 65, 18, and 17 percents of the increase, respectively. 2/

In addition to the group generally considered the elderly, another 16 million persons were between the ages of 55-64 in 1960, about three-fourths of whom will live to become a part of the elderly population in the present decade.

Women increased more than men. (Refer to table 1 and chart 1.)

Among the elderly, every single-year-of-age group was larger in 1960 than it was 10 years earlier, 3/ and, as chart 1 shows, the increases have been somewhat larger among women than among men. Between 1950 and 1960, women increased by 40 percent, half again the increase in the number of older men. As a result, there was an even larger number of women in these ages for every 100 men than there had been in the preceding decade, a situation that has become widely publicized and that has many implications for action programs for the elderly.

Because of age differences at time of marriage, the greater tendency of men to marry or to remarry, and the longer life expectancy of women, more women than men find themselves without their spouses by the time they reach age 65. Programs and plans for the elderly need to take account of the larger proportions of women who may be living alone when they reach advanced ages.

Nonwhites increased more than whites. (Refer to table 1.)

In recent decades, the nonwhite population 65 and over has increased at a more rapid rate than has the white. However, because of different age structure within the white and nonwhite populations, the nonwhite is still a younger population, on the whole. Only 6 percent of the nonwhite population in 1960 was 65 and over compared with 10 percent of the white.

Older persons increased more in urban areas; are a higher proportion on farms. (Refer to table 1 and charts 2 and 3.)

Seventy percent of the people 65 years old and over lived in urban areas in 1960, 22 percent in rural-nonfarm areas, and 8 percent lived on farms. Midwestern

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2/ T. Lynn Smith. "Changes in the Number and Distribution of the Aged Population of the United States." In Aging in a Changing Society. Report on the Eleventh Annual Southern Conference on Gerontology, University of Florida Institute of Gerontology. Gainesville, 1962.

3/ Some noticeable age "heaping" is evident in chart 1. Heaping means overstatement in the censuses of ages ending in certain digits, such as 0, 5, even numbers, age 65, etc. Some reduction in age heaping has occurred over the decades as more persons have birth certificates or other exact records of their birth date, but some heaping is still apparent in the 1960 Census data. Some changes in heaping have resulted from the self-enumeration and from the use of a question on date of birth rather than on completed year of age. The preference apparent in 1960 for years ending in 4 and 9 is a result in part of the overreporting of years of birth ending in 0 and 5. The seemingly large increase of persons aged 59 represents overreporting of birth date as 1900. (See 1960 Census of Population, Detailed Characteristics, U. S. Summary, PC (1) 1D.)



and Southern States had higher percentages of older people in the rural areas than did the Northeastern and Western States. Changes in the number of older persons in the urban and rural populations from one period to another are difficult to determine precisely because of the differences in residence-class definitions and reclassification of areas from rural to urban or vice versa in the various censuses, but it is evident that there have been great increases in the number of older persons in the rural-nonfarm and urban populations and a decline in the number of farms. The numbers in the nonfarm populations are swelled by the older farm people who have migrated from their farm homes. Taking the residence data as enumerated in each of the last three censuses, it appears that the proportion of persons 65 and over in the total farm population increased from 6.6 to 9.3 percent, giving the farm population the highest percentage of older persons among the residence classes in 1960. Chart 2 shows the age structure among older people in each residence class.

Unlike the nonfarm population, the farm population had more males than females among the older group, as chart 3 indicates. The sex ratio, that is, the number of males per 100 females, for the farm population is over 100 for most age groups 55 and over, while the nonfarm population has ratios of less than 100. Women migrate from farms at higher rates than do males. Older women whose spouses die are likely to move away from their farm homes, whereas widowed men may remain as long as they continue to carry on farming activities. Thus, the farm ratio rises to 123 at ages 70-74 before dropping off to less than 100 at very old ages.

In 1960, the rural nonfarm population 65 years old and over had a somewhat higher proportion of nonwhites than did the elderly urban population, 8.3 percent compared with 7.5 percent, while in the farm population nonwhites comprised 7.9 percent of the total in these ages. Chart 3 shows the percentage nonwhites comprised of each age-residence group among older persons in 1960.

Important changes in distribution among States occurred. (Refer to table 2 and charts 4 and 5.)

New York had the largest number of people 65 and over in both 1950 and 1960, followed by California, Pennsylvania, Illinois, Ohio, and Texas, as might be expected since these States had the largest populations of all ages. Next in 1960 were Michigan, Massachusetts, New Jersey, Florida and Missouri. All of these States had more than half a million people 65 and over in 1960, with the first three having more than a million. Iowa had the highest percent of its population 65 and over, nearly 12 percent, followed by Missouri, Nebraska, New Hampshire, Vermont, Florida, Massachusetts, Maine, and Kansas. States with lowest proportions of the aged were Alaska and Hawaii. All States showed numerical increases in the elderly population between 1950 and 1960, and all but Delaware, Nevada, and Alaska had increases in the proportion that the 65 and over comprised of the total population of the State.

Over 40 percent of the total U.S. increase in persons 65 and over between 1950 and 1960 was accounted for by California, New York, Florida, Pennsylvania, Texas and Illinois. These States were among those with the largest numbers in 1960. On a percentage basis, Florida was highest, with an increase of 133 percent, and Arizona's elderly also more than doubled. Two other States, Nevada and New Mexico ranked above California on relative increase, while Texas, Hawaii, Wyoming, New Jersey and Utah were lower, but all had increases of more than 40 percent in the decade. At the other end of the scale, Vermont, Alaska, Maine and New Hampshire had increases below 20 percent.



The demographic processes causing the differences in growth in the elderly among the States are: (1) varying numbers of births during the periods the persons in the 1950 and 1960 populations 65 years old and over were born, thus producing differences in the size of the age cohorts advancing into the elderly group; (2) differential volume and direction of internal migration and foreign immigration; and (3) differences in the mortality rates in various time periods and parts of the country. It is beyond the scope of this paper to determine the degree to which each of these factors may have operated to produce the changes illustrated above. Nevertheless, since internal migration is such an important factor in the redistribution of the older population, as well as of the population of other ages, I shall comment briefly on some preliminary data we have compiled on the migration of older people during the 1950-60 decade. 4/

Even though all States had numerical increases in persons 65 and over between 1950 and 1960, 33 States and the District of Columbia experienced net losses through migration of people who were 65 or older in 1950 or who reached age 65 some time during the decade. Greatest net losses through migration occurred in New York, Illinois, Pennsylvania, Ohio, Massachusetts and Michigan, States among those which had the largest numerical increases in elderly population during the decade. The increases in elderly population of these States would have been even greater had not large numbers of persons migrated from these States.

Florida and California received by far the greatest number of older persons through migration during the decade, nets of 256,000 and 171,000, respectively, absorbing nearly four-fifths of the net loss from the sending States. Texas, Arizona, and Colorado were next in order with a total immigration of 73,000; gains in the rest of the receiving States were minor.

In addition to the migration of older persons which is shown by these data, many others moved between States who died before the 1960 Census of Population. Others moved from one residence to another within the same States. Our study of net migration, to be published in 1964, will include estimates of net migration for each county and other areas of the United States by age, and sex, and by color (in those areas where nonwhites are a sizeable proportion of the total population). Preliminary results show a pattern of movement of the older population from the rural or nonmetropolitan areas to the areas of larger population concentration, as is generally true of the population of younger ages.

Although there have been large differences in numerical and relative increases in the elderly population among the States, T. Lynn Smith has pointed out that:

"Perhaps the most significant feature of this changing distribution is the tendency toward a more equitable distribution of the elderly among the States. This is to say that as one decade succeeds another, the proportions of those of 65 and over in the various States are tending to move toward that in the Nation as a whole." 5/

On the basis of indexes showing the extent to which each State had more or

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4/ Data are from a project carried on cooperatively by the Economic Research Service and Oklahoma State University, and are subject to revision.

5/ T. Lynn Smith, *op. cit.*

less than its pro rata share of the population 65 and over for 1930, 1940 and 1950, Smith has indicated a strong tendency toward a more equitable distribution with ranges on the index diminishing from 102 to 83 to 72, respectively. Between 1950 and 1960, 25 States and the District of Columbia moved toward the national average, 19 moved away from the national average, and 4 made no changes. The range in the index had diminished only slightly from 72 to 70 in 1960. If the 1950-60 migration patterns continue, it appears that we will move toward a more inequitable distribution in 1970 than in 1960.

The concentration of older persons within States has never been uniform, of course, and the migration patterns of the 1950-60 decade, along with other factors, have produced many counties in which the percentages of older people are considerably above the national average. In States receiving large numbers of older people, certain areas are becoming known as retirement communities. Areas with warm climate, many days of sunshine a year, or other amenities, are particularly attractive. "Sun" cities, or their equivalents, have been developed specifically for retired people--with innovations in housing and equipment, shopping and recreational facilities, and other things, to meet the needs of an aging couple or the elderly person who is alone. Many of the residents of these retirement communities are immigrants from distant counties or States. In other counties there are disproportionate numbers of older people due to the outmigration of large numbers of the young.

The map on the board (not duplicated in this paper) shows counties in each State in which the percentage of persons 65 years old and over is considerably above the national average. The concentration of elderly people in certain counties in Florida because of immigration is apparent, whereas counties of the Midwest and Southwest are those typifying the aging of population through outmigration of the young.

1970 elderly population likely to number around 20 million. (Refer to chart 4).

According to recent projections of the Bureau of the Census 6/, the population 65 years and over may number around 20 million in 1970, with all States having increases over 1960, but with some changes occurring in the rank order of States having the largest numbers. The top six at the beginning of the previous 2 decades (New York, California, Pennsylvania, Illinois, Ohio and Texas) are likely to retain their leadership in numbers of elderly people. Florida, which moved from 15 th to 10th largest between 1950 and 1960, may move to seventh place by 1970, and be followed by Michigan and New Jersey. Arkansas rather than Iowa may have the largest proportion of its population in the elderly category, but New Mexico which has had the lowest proportion for several decades (among the 48 States) is likely to retain this position.

The projections utilized here, which are subject to revision, would portend a widening of the range on the index measuring States' pro rata shares of the population 65 years old and over, from 70 in 1960 to around 90 in 1970 (for 48 States and the District of Columbia). Nineteen States would move toward and 27 States

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6/ Data from the Bureau of the Census, consistent with projections for the population 55 years old and over, published in the Manpower Report of the President. The White House, Washington, D. C., 1963.

and D. C. would move away from the national percentage. Two States would make no changes.

We do not have projections of the distribution among residence groups of the population 65 and over by 1970, but it is likely, if present trends continue, that both the rural and urban populations will have higher proportions of older people at the end of this decade than at the beginning and that their proportion in the farm population will continue to be higher than in nonfarm areas. Women will continue to outnumber men in 1970, and elderly nonwhites will increase proportionately more than whites.

#### Conclusions:

The growth in numbers and changing relative position of elderly people have already had marked social and economic impacts, and new impacts will be felt if the anticipated growth and redistribution occurs. All States will have more older people in the future, but some States and areas within them will have a disproportionate share of the growth. These older people will require goods and services for an increasing number of years after they reach age 65 because they will live longer. In a recent article, the Metropolitan Life Insurance Company pointed out that women who had reached age 65 in 1960 might on the average expect to live an additional 16 years, while men might expect to live an additional 13 years. 7/ Estimates prepared by the Department of Labor further indicate that men who reached age 65 in 1960 may average 6.5 years in retirement 8/, about double the average retirement years men reaching this age could have expected at the beginning of this century. The improvement of education for retirement and of retirement activity programs, as well as provisions for the assurance of adequate income and for housing, health, medical care and other needs are of paramount importance to those interested in the welfare of the Nation's elderly, collectively and as individuals with separate and different wants and desires.

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7/ Metropolitan Life Insurance Company, Statistical Bulletin. "Progress in Longevity Since 1850." Volume 44, July 1963.

8/ U. S. Department of Labor. Manpower Report No. 8 : "The Length of Working Life for Males, 1900-60."

Table 1.--Selected characteristics of persons 65 years old and over, 1960, and those 65 years old and over as a percent of total 1960, 1950, and 1940

Sex, color, and residence of age group 65 years old and over	Number of persons, 1960	Percentage change		Percentage of group that was 65 years old and over		
		1950-60	1940-50	1960	1950	1940
	Thou.	Pct.	Pct.	Pct.	Pct.	Pct.
Total	16,560	34.7	36.1	9.2	8.1	6.8
Male	7,503	29.1	31.6	8.5	7.7	6.9
Female	9,056	39.7	40.3	10.0	8.5	7.0
White	15,304	34.5	35.7	9.6	8.4	7.1
Male	6,908	28.8	31.3	8.8	8.0	6.9
Female	8,396	39.6	39.9	10.4	8.9	7.3
Nonwhite	1,256	37.5	40.3	6.1	5.6	4.7
Male	595	32.9	35.0	6.0	5.6	4.9
Female	661	41.9	45.8	6.3	5.6	4.6
Urban	11,339	44.6	1/	9.1	8.1	6.8 2/
Rural	4,869	9.3	1/	9.0	8.2	6.9 2/
Rural-nonfarm	3,612	1/	1/	8.9 2/	8.6 2/	7.3 2/
Rural-farm	1,256	1/	1/	9.3 2/	7.6 2/	6.6 2/

Marital status, 1960

Sex and age	Total	Percentage	
		Married, with spouse present	Never married, widowed, divorced or separated
	Thou.	Pct.	Pct.
Males	7,309	67.0	33.0
65-69 years	2,883	75.6	24.4
70-74	2,139	69.4	30.6
75-79	1,318	60.8	39.2
80-84	635	49.4	50.6
85 and over	333	34.2	65.8
Females	8,898	34.7	65.3
65-69 years	3,303	48.5	51.5
70-74	2,522	36.4	63.6
75-79	1,659	24.9	75.1
80-84	883	13.9	86.1
85 and over	530	6.3	93.7

1/ Not computed due to definition changes. 2/ Excludes Alaska and Hawaii.

Note: Percentages for residence classes are based on data from the decennial censuses without adjustment for definition changes.

Source: U.S. Bureau of the Census. 1960 figures for residence and marital status are based on a 25 percent sample of the population. Total population 65 years old and over, from the sample count is 16,207,237 compared with 16,559,580 from the complete count.

Table 2.--Population 65 years old and over, by States, percentage increase, proportion of State total, and net migration 1950-60

Area	Population 65 years old and over		Increase 1950-60		Percent 65 year: olds are of total population		Net migration 1950-60 <sup>1/</sup>
	1950	1960	Number	Percent	1950	1960	
	Thou.	Thou.	Thou.	Pct.	Pct.	Pct.	Thou.
United States	12,295	16,560	4,265	34.7	8.1	9.2	---
New England							
Maine	94	107	13	13.9	10.2	11.0	- 4
New Hampshire	53	68	10	17.2	10.8	11.2	- 2
Vermont	40	44	4	10.6	10.5	11.2	- 2
Massachusetts	463	572	103	22.0	10.0	11.1	-40
Rhode Island	70	90	19	27.2	8.9	10.4	- 6
Connecticut	177	243	66	37.2	8.8	9.6	- 4
Middle Atlantic							
New York	1,250	1,688	429	34.1	8.5	10.1	-123
New Jersey	394	560	166	42.2	8.1	9.2	- 9
Pennsylvania	387	1,129	242	27.3	8.4	10.0	-81
East North Central							
Ohio	709	897	188	26.5	8.9	9.2	-46
Indiana	361	446	84	23.4	9.2	9.6	-15
Illinois	754	975	221	29.2	8.7	9.7	-91
Michigan	462	633	177	38.2	7.2	8.2	-38
Wisconsin	310	403	93	29.9	9.0	10.2	-15
West North Central							
Minnesota	269	354	85	31.7	9.0	10.4	-12
Iowa	273	328	55	20.0	10.4	11.9	-15
Missouri	407	503	96	23.6	10.3	11.7	- 6
North Dakota	48	59	10	21.6	7.8	9.3	- 6
South Dakota	55	72	16	29.3	8.5	10.5	- 4
Nebraska	130	164	34	25.9	9.8	11.6	- 7
Kansas	194	240	46	23.7	10.2	11.0	- 2
South Atlantic							
Delaware	26	36	9	35.8	8.3	8.0	1
Dist. of Columbia	57	69	12	22.0	7.1	9.1	-15
Maryland	164	227	63	38.5	7.0	7.3	1
Virginia	215	289	74	34.7	6.5	7.3	3
West Virginia	139	173	34	24.5	6.9	9.3	-10
North Carolina	225	312	87	38.6	5.5	6.9	- 2
South Carolina	115	151	36	30.9	5.4	6.3	- 6
Georgia	220	291	71	32.3	6.4	7.4	2
Florida	237	553	316	132.9	8.6	11.2	256

Continued



Table 2.--Population 65 years old and over, by States, percentage increase, proportion of State total, and net migration 1950-60 - Continued

Area	Population 65 years old and over		Increase 1950-60		Percent 65 year-olds are of total population		Net migration 1950-60 1/	
	1950	1960	Number	Percent	1950	1960	1950-60	1/
	Thou.	Thou.	Thou.	Pct.	Pct.	Pct.	Thou.	
East South Central								
Kentucky	235	292	57	24.3	8.0	9.6	- 3	
Tennessee	235	309	74	31.5	7.1	8.7	4	
Alabama	199	261	62	31.5	6.5	8.0	2/	
Mississippi	153	190	37	24.2	7.0	8.7	- 4	
West South Central								
Arkansas	149	194	45	30.5	7.8	10.9	- 4	
Louisiana	177	242	65	36.6	6.6	7.4	4	
Oklahoma	194	249	55	28.3	8.7	10.7	4	
Texas	513	745	232	45.2	6.7	7.8	35	
Mountain								
Montana	51	65	15	28.6	8.6	9.7	- 4	
Idaho	44	58	15	33.8	7.4	8.7	- 1	
Wyoming	18	26	8	42.6	6.3	7.8	- 2	
Colorado	116	158	43	36.8	8.7	9.0	10	
New Mexico	33	51	18	55.1	4.9	5.4	3	
Arizona	44	90	46	103.9	5.9	6.9	26	
Utah	42	60	18	41.3	6.2	6.7	1	
Nevada	11	18	7	65.4	6.9	6.4	3	
Pacific								
Washington	211	279	68	32.0	8.9	9.8	2	
Oregon	133	184	51	38.1	8.7	10.4	2	
California	895	1,376	481	53.8	7.5	8.8	171	
Alaska	5	5	1	13.6	3.7	2.4	- 2	
Hawaii	20	29	9	42.3	4.1	4.6	- 5	

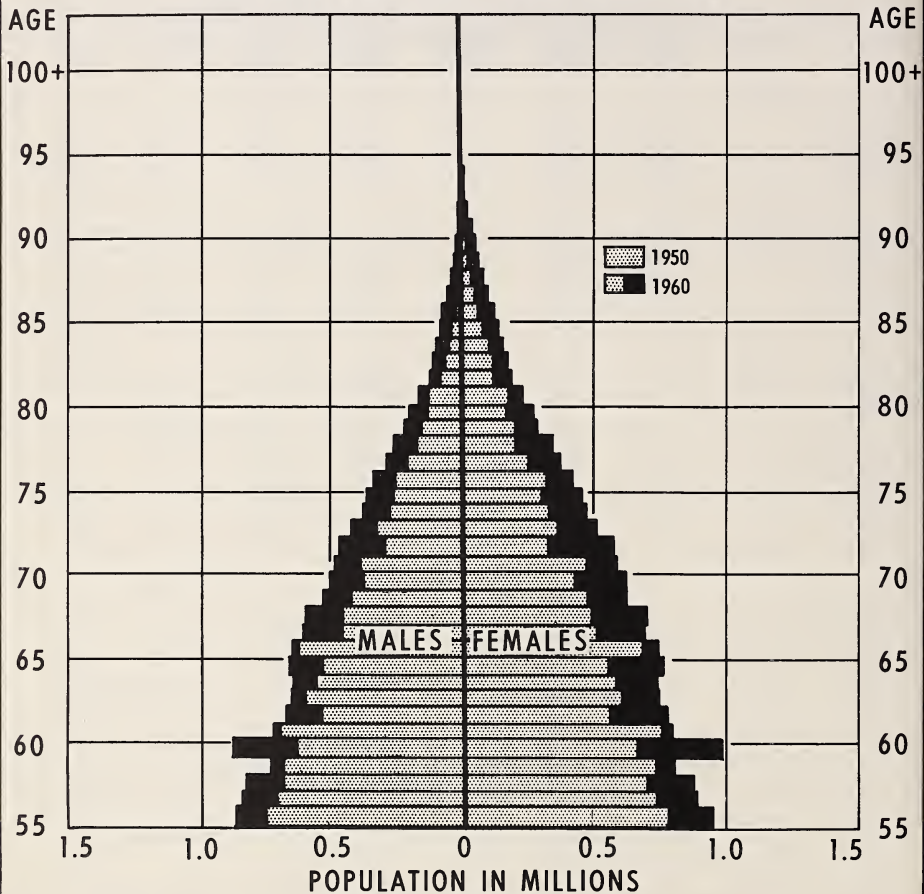
1/ Net change in total population, 65 years old and over in 1960 due to migration of persons alive at both beginning and end of the 1950 decade. Minus sign denotes net loss.

2/ Gain of less than 500.

Source: U.S. Bureau of the Census and unpublished data from ERS-Oklahoma migration project.



**POPULATION OF THE UNITED STATES,  
55 YEARS OLD AND OVER, BY SINGLE YEARS  
OF AGE AND SEX: 1960 AND 1950**



SOURCE: BUREAU OF THE CENSUS.

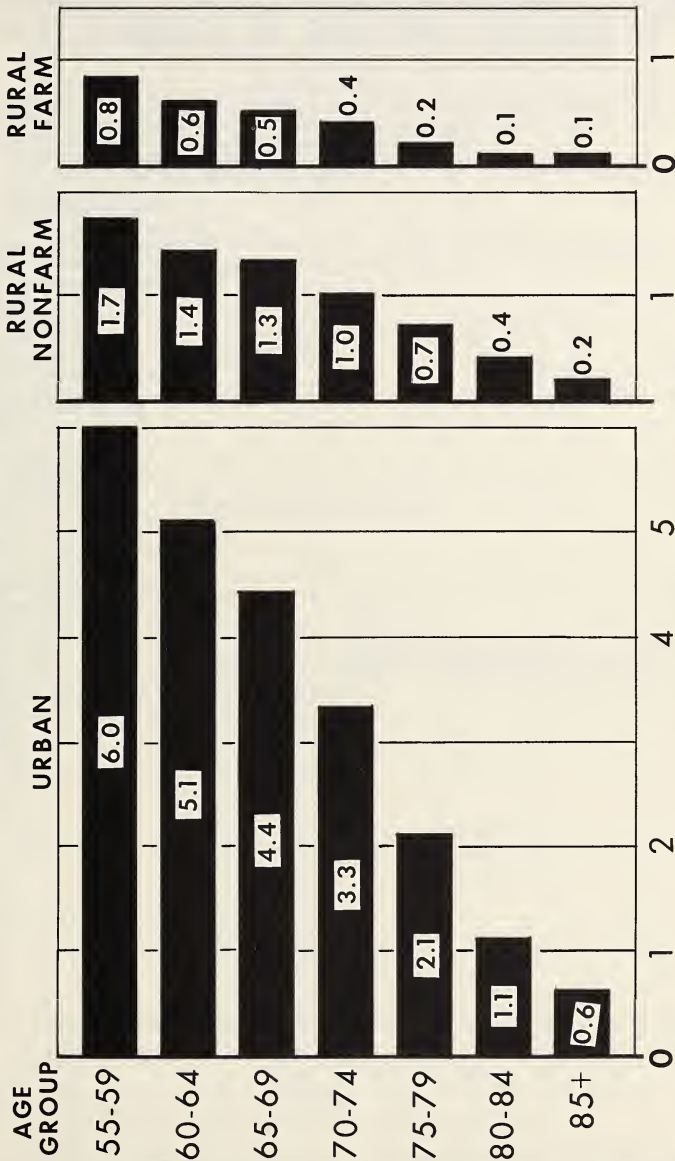
U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2148-63 (7)

ECONOMIC RESEARCH SERVICE

Chart 1

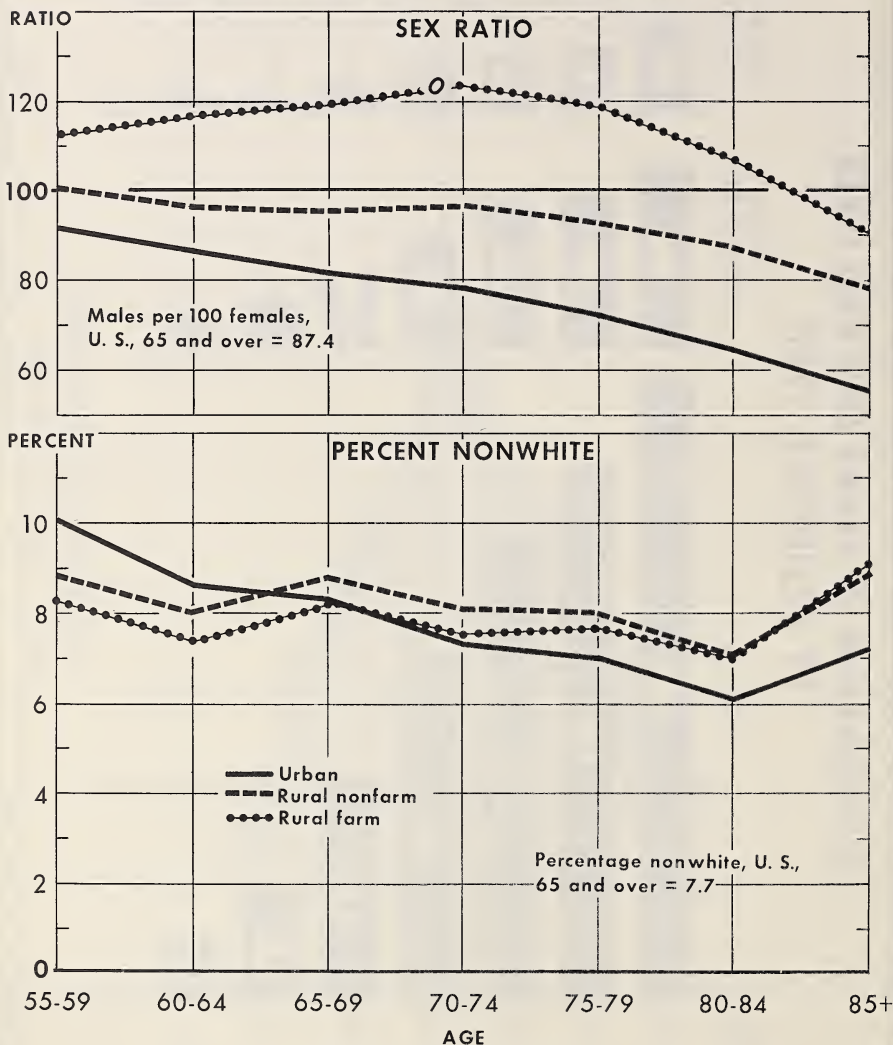
# POPULATION 55 YEARS OLD AND OVER, BY RESIDENCE, 1960



POPULATION (IN MILLIONS)

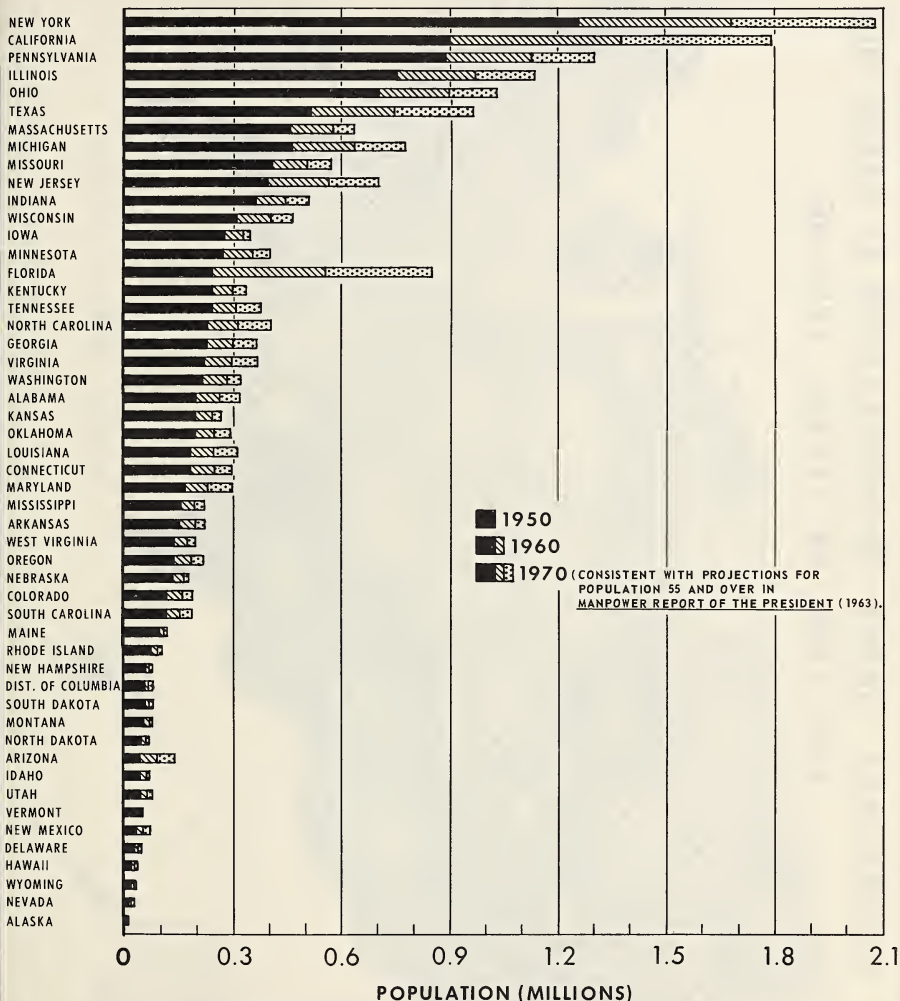
SOURCE: U. S. BUREAU OF THE CENSUS

# SEX RATIO AND COLOR COMPOSITION, POPULATION 65 YEARS OLD AND OVER, BY RESIDENCE, 1960



SOURCE: U. S. BUREAU OF THE CENSUS

# POPULATION 65 YEARS OLD AND OVER BY STATES,\* 1950, 1960 AND PROJECTIONS FOR 1970



SOURCE: U. S. BUREAU OF THE CENSUS

\* STATES RANKED ACCORDING TO 1950 POPULATION 65 YEARS OLD AND OVER



**AND OVER, BY STATES, 1950-60**

1st quintile  
2nd quintile  
3rd quintile  
4th quintile  
5th quintile

U. S. = 35%

SOURCE: U. S. BUREAU OF THE CENSUS

NEG. ERS 2394-63 (10)

ECONOMIC RESEARCH SERVICE







## THE ECONOMIC SITUATION OF THE AGING

Talk by Lenore A. Epstein\*

at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 2:15 p.m., Wednesday, November 20, 1963

Discussion of the economic status of our aging population has become almost a national past-time in recent years. And rightly so. It pricks the national conscience because so many of this growing group in our population face serious needs in a society which is generally affluent. The circumstances of older people have improved significantly in the last decade or two, owing primarily to the expansion of retirement programs. But adequate income among the aged is still the exception rather than the rule. Too many must live out their lives with very limited resources.

In considering the economic situation of the aged most of us lean heavily on money income as a measure of adequacy or inadequacy. It is the best single indicator, and more information is available on income than on total resources. Yet for certain groups nonmoney income is important. You know better than I the role of homegrown food. A mortgage-free home obviously reduces current housing costs, although somewhat less than generally believed. Some emphasize the importance of the savings in the hands of older persons. Obviously, we should take account of them, while keeping in mind the fact that those with the least income are the least likely to have financial resources which might be tapped to supplement their current income. The other aspect of the picture is how much it costs an aged person to maintain any specified level of living. But that is not my subject today. In any case the income figures speak largely for themselves.

It is generally recognized that amounts received irregularly or in small sums, such as in interests or dividends, or from occasional part-time jobs, may be forgotten and so result in some underestimates of income in field surveys. On the other hand there is the tendency to think of the aged as the retired. So it is important to recall that data for the aged population as a whole include those who are employed and so overstate the income of the retired population.

We hope that many of the gaps in our knowledge of the circumstances of aged people in the United States will soon be filled on the basis of a survey conducted for the Social Security Administration by the Census Bureau in the early part of this year. Some preliminary findings of this study, covering a nationwide sample of all persons aged 62 or over, should be available within the next few months. We hope to learn about differences in the situation of the retired and those still employed, about the circumstances of those with private pensions and of those on the public assistance rolls. Information was obtained on income by source, work experience, assets and debts, health care costs, health insurance coverage, living arrangements and other facets of the socio-economic status of the older population.

\*Deputy Director, Division of Research and Statistics, Social Security Administration, Department of Health, Education, and Welfare.

I wish that I had some of the findings for you today. Instead I must present what is available from the 1960 Census and special surveys. I can assure you, however, that data from our survey could not be analyzed by State, a subject in which I know you have a particular interest.

Today, therefore, I shall first outline for you the summary findings of the last Decennial Census as to the money income of aged couples and nonmarried people with different living arrangements, and changes in their income over the last decade. Next I shall touch briefly on resources other than income, and then summarize available information on the importance of different sources of income for older persons now and at the beginning of the fifties. Finally, drawing again on the 1960 Census data, I shall point out briefly the differences among the States in the income of older people--that is, people 65 and over.

### United States Summary

#### Size of Money Income

When the Census was taken in April 1960, there were 5.1 million married couples 65 years or older. Half of them had less than \$2,600 in money income the previous year, and, of course, half of them had more. There were 8.4 million unmarried elderly persons, including some 600,000 in institutions. Of those not in institutions, half had less than \$790 yearly money income. Incomes are, of course, somewhat higher now than in 1959.

The difference in income for couples and the nonmarried reflects, among other things, two important facts. Men make up more than twice as large a proportion of the married as of the nonmarried, because women generally outlive their husbands. Men are more likely than women still to be working, and if they are not they tend to have larger retirement benefits. When the nonmarried group is classified by sex, the men have a median income of \$1,160, and the women a median income of \$670.

Not only are women more numerous among the nonmarried, but so also are persons of very advanced age. The proportion of persons 80 years of age or more is nearly three times as large among the nonmarried as among the married.

Of the aged married couples--that is with one or both 65 years or older--three-fourths lived by themselves while the other fourth had children or other relatives in their home. The median income was \$2,670 for those who were living by themselves, and \$2,400 for those with relatives present.

The median income for the 3.8 million nonmarried aged who did not live with relatives was \$1,010, about twice that for the 2.7 million who did live in the home of relatives. The remaining 1.3 million nonmarried elderly persons reported as family heads had an intermediate income position--\$840 median income.

As might be expected, nonmarried persons aged 65 and over are more likely to live in the home of relatives when their own income is low than when it allows for reasonably comfortable living. Thus, the proportion in the home of children or other relatives was only about half as large when income was \$3,000 or more as when it was less than \$1,000.

Older people living with relatives were more than twice as likely to be with their children as with brothers, sisters, or others. And when their own income was less than \$1,000, they were almost three times as likely to be with children. When their personal income exceeded \$3,000, however, the odds were about even, strengthening the impression that older persons prefer not to move in with children unless financial necessity dictates. Living with other relatives, often persons of the same generation, may be more of a cooperative arrangement, designed for companionship.

#### Changes in Living Arrangements and Income, 1951-1959

Over the last decade there has been a modest reduction in the likelihood that the aged--especially nonmarried women--will live with children or other relatives. This, no doubt, is a result of the substantial improvement in income status for couples and nonmarried persons alike, even after account is taken of the decline in the value of the dollar.

If changes in purchasing power are measured by the Consumer Price Index, the median real income appears to have more than doubled from 1951 to 1959 for non-married women, increased two-thirds for couples, and advanced more than 50 percent for nonmarried men.

In fact, the gain was somewhat less than indicated. During the fifties, except for food, the price change for items such as medical care, of greater relative importance to the older group, tended to be larger than for those more often purchased by younger employed persons. More studies would be needed to determine the size of the differential. A first approximation by the Bureau of Labor Statistics suggests it is small.

The rise in income for married and nonmarried alike was more substantial for those living with relatives than for those living alone. As a result, the difference in income received by those living alone and by those sharing a home with relatives was reduced considerably.

Moreover, the increase was substantially greater in the personal income of the aged couple or nonmarried person who shared a home with relatives than in the total income of the family of which the aged unit was a member. This suggests that some aged persons do live with relatives by choice, not because they need support but because such an arrangement continues the normal family relationship or is designed for companionship or to help out the relatives. On the other hand, the large numbers living alone on very small cash incomes accentuate the value placed on independence.

### Resources Other Than Income

As I pointed out earlier, there are other considerations besides current money income in determining the economic status of the aged, or any other group. Persons aged 65 and over are likely to own homes mortgage-free, thus reducing somewhat their current housing costs. Those who live on farms are likely to grow some of their own food. Any reduction that results in their food bill offsets some of the difference in their income and that of persons who live in cities, although usually the cash released is less than the value of the food.

Many older persons have savings that could be used to offset in some measure the reduction in cash income that follows retirement. However, those whose incomes are lowest and who would benefit most from assets readily convertible to cash are the least likely to have them. By the same token, those with relatively high incomes are the most likely to have financial assets. Similarly, the persons with the most limited financial resources--whether measured in terms of income or financial assets--are the least likely to own their own homes. Roughly two-thirds of all the aged do own their homes and some 80 percent of those owned are clear of mortgage.

But, of course, the relationship between assets and income is not unexpected. After retirement, both are related to earnings in earlier years and to the opportunity they afforded for accumulating savings.

### Sources of Income

In 1961 people 65 and over numbered 17 million in the United States, with a total money income of \$35 billion. Their number had grown from 12.3 million in 1950 and their income from \$15 billion. However, the purchasing power of the dollar had dropped one-fifth--somewhat more for the elderly--reducing the \$35 billion to less than \$28 billion in terms of 1950 prices.

The value of the per-capita gain in purchasing power was tempered also by an increase of older people living in cities where costs are relatively high. The gain was further tempered by a significant advance in the level of living of the employed population. Moreover, about one-fifth of the \$35 billion aggregate income in 1961 went to a mere 200,000 aged taxpayers. These were the people filing tax returns for incomes of \$20,000 or more.

The over-riding fact, however, in considering the change that has taken place, is the shift in importance from current employment to other sources of income. Today far more older people are dependent on sources other than current earnings for their livelihood. For example, in 1961 less than a third of all income was from earnings as compared to a half in 1950. Where did the additional income not derived from earnings come from? About 45 percent of the \$20 billion gain, from 1950 to 1961, came from old-age, survivors, and disability insurance (OASDI). Another 15 percent came from other Government programs, and nearly 7 percent from



private pension plans and individual annuities. Public assistance payments taken alone went up very little. Indeed, they dropped from about one-half to only about one-eighth of all the money paid to the aged under Government programs.

The proportion of aged persons with any income from current employment showed a continuing downward trend during the 1950's from almost one-third to less than one-fourth. The actual number with paid employment inched up by only 200,000 from June 1950 to June 1961--while the aged population grew by 4.9 million. Over the same period, the number of aged persons receiving social insurance benefits based on previous employment more than quadrupled, going from 2.7 million to 12.4 million.

Old-age, survivors, and disability insurance alone provided some support for almost two-thirds of all aged persons in mid-1961. (By now the proportion is close to three-fourths.) The growth in the number of women receiving old-age benefits under the social security program on the basis of their own employment record--from 200,000 in June 1950 to 2.6 million in mid-1961--was particularly striking. It reflects the increasing employment of middle-aged and older women since World War II.

Of the 4.1 million aged persons with some income from earnings, whether as workers or wives of earners, 2.6 million also received social insurance benefits and 1.5 million did not. Some of the latter received payments under programs for veterans or from public assistance. Practically all of those with income from employment who were not drawing their "social security" could have done so if they had chosen to retire.

Veteran's compensation and pension programs afforded income support for every ninth person aged 65 years or older. With the aging of the World War I veteran population, the relative growth during the past decade was even more rapid for veterans' programs than for old-age, survivors and disability insurance as a source of support for aged persons.

Under the railroad retirement and Government employee retirement programs, there were an estimated 1.7 million aged persons receiving support. Of these, at least one-fourth also received "social security"--old-age, survivors, and disability insurance benefits.

The expansion of the social insurance program, as well as the growth in the number of veterans receiving payments, has brought about a gradual decline in the size of the old-age assistance case load during the past decade--from 23 percent of those aged 65 and over in 1950 to a bare 14 percent in mid-1961 and even less now. Nevertheless, the assistance program still plays a major role as the second largest income maintenance program for the aged. Old-age assistance recipients, persons past 65 receiving aid to the blind or to the disabled and those receiving medical assistance to the aged, together numbered about 2.4 million in mid-1961--and nearly as many today--compared with 2.8 million in 1950.



Since World War II there has been a striking growth of private pension plans. One out of every 12 persons aged 65 and over received a private pension in 1961. Most of them were also receiving OASDI benefits. Current information on the number and characteristics of those with income from investments or contributions from relatives is not now available. It will be early next year from the sample survey we have in process.

The changes in aggregate income reflect changes not only in the number receiving income from different sources but also in the amounts from the various sources. The average monthly OASDI benefit for workers who retired at 65 or later was \$80 in December 1962, 85 percent more than in December 1950. For retired railroad and Government employees the amount was considerably larger, but the relative increase during the 1950's was somewhat smaller. The average old-age assistance payment--\$75 at the end of 1962--increased about 75 percent over the 1950 level. The increase might have been larger were it not for the rise in the proportion of recipients having some other source of cash income.

While wage rates have gone up, the annual earnings of the aged have declined with the spread of occasional and part-time employment. Of the 2.5 million aged men with some earnings covered under OASDI in 1959, 30 percent had earnings in less than four calendar quarters. Their median earnings were under \$600, while those who had work in four calendar quarters had median earnings close to \$3,000.

The shift from current earnings to benefits based on previous employment is of course reflected in the relative permanence of income, its susceptibility to inflationary pressure, and also the size distribution. A decade ago only a tiny group of men no longer in the labor force had cash incomes above the lowest levels, but in 1960 9 percent of the men with no current earnings had total incomes of \$3,000 or more.

Before turning to the differences by place of residence, we might pause to consider how these changes are to be interpreted. The great expansion of retirement programs has occurred during a period when technological changes have made many skills obsolete and eliminated the need for much unskilled labor. Without the increase in retirement provisions, older workers might have swollen the ranks of the unemployed seeking work and greatly increased the need for public assistance and for help from relatives. Such help would be deflecting resources otherwise available for children. There would be more rather than less doubling-up and a considerable diminution in demand for goods and services.

#### Area Differences in Income

##### Metropolitan Residence

In April 1960, there were 101 areas with a population of 250,000 or more accounting for 54 percent of the total population. Persons aged 65 and over were

less heavily represented in metropolitan than in nonmetropolitan areas, making up 8.8 percent of the population of the 101 largest but 9.2 percent for the United States as a whole.

Incomes, of course, were higher in the large metropolitan areas than elsewhere. Thus, for aged couples with no relatives present, the median income in these areas was \$3,300, compared with \$2,670 for the Nation. For those not in the 101 largest metropolitan areas, the median was only about two-thirds as large, or \$2,220. The relationships were similar for nonmarried persons who were family heads and also for those living alone or with nonrelatives.

The differences appear even more striking when the proportions in the 101 largest metropolitan areas are compared for successively higher income classes. Aged couples were almost twice as likely to reside in these areas when their income exceeded \$3,000 as when it was less than \$1,000.

For nonmarried men and for nonmarried women living alone the differences were smaller but still substantial, with the proportion in the 101 largest areas 40-50 percent larger when income exceeded \$3,000 than when it was less than \$1,000. There appears to be relatively little relationship between income and place of residence for nonmarried women who share a home with relatives.

#### The Rank of the States

A comparison of the aged population's income by State shows what one might expect. Aged people in the South have less money income, no matter their marital status or living arrangement, than those living in other parts of the country.

When the States are ranked by median income of aged couples, 10 of them--all in the South--show less than \$2,000 while at the top of the rank there are 10 geographically scattered States where median income for aged couples is \$3,000 or more. For nonmarried persons, there are nine States in the South where median income is between five and six hundred dollars, about half the amount for nonmarried persons living in the top ranking States.

The District of Columbia, where almost 70 percent of the aged couples had an income of \$3,000 or more, heads the list of States where the median income for aged couples exceeded \$3,000. Nevada and Connecticut follow with about 60 percent. In California, Illinois, Maryland, Massachusetts, Nevada, New Jersey, and New York, 50 to 55 percent of the couples reported more than \$3,000. Among the 10 at the other end of the scale, median incomes for an aged couple ranged from \$1,250 in Mississippi and \$1,444 in Arkansas to \$1,842 in Louisiana and \$1,939 in Oklahoma.

The range in level of income from southern States at the bottom to a more diversified geographic group at the top reflects the type of employment and level of earnings during the working years. The increasing industrialization in the South and out-migration of large numbers of Negroes will eventually result in less difference in retirement income. In addition to urbanization and industrialization influencing retirement income, there may also be other special circumstances. The District of Columbia, which usually turns up at the top of any ranking by State, has a large number of retired Federal employees. The Federal Civil Service retirement system is far more liberal than the basic old-age, survivors, and disability insurance program. In the high-cost District of Columbia, undoubtedly there is a concentration of those receiving high pensions because those with low pensions probably move back to their home States at retirement.

Southern States rank lowest in median income for the nonmarried aged--widowed, separated, divorced, or never married--as they do for couples. There are nine States having median incomes below \$600, ranging up from \$513 in South Carolina to \$599 in West Virginia. There are eight States at the top having median incomes above \$1,000--ranging down from \$1,298 in the District of Columbia to \$1,053 in Montana.

The level of income of all nonmarried aged persons in a State obviously reflects a congeries of factors, not only those bearing on the retirement benefits payable to persons previously in the labor force (or their survivors) but also the sex ratio and the State standard for old-age assistance.

As the nonmarried aged are more likely to need public assistance than those still married (who are usually younger), the last factor is considerably more important for the nonmarried than for couples. Striking evidence of its significance is the fact that Colorado, which has very liberal assistance provisions for aged persons--almost a pension plan--moves from sixteenth place when States are ranked by income of couples, to second place, next to the District of Columbia, on the basis of the income of the nonmarried aged. Louisiana, with liberal eligibility provisions for old-age assistance, moves up considerably when States are ranked by the income of nonmarried persons instead of the income of couples.

The nonmarried men fare better than the women when median incomes are compared. This is not surprising since women typically earn less than men when they work, and so many now past 65 never had much employment outside the home. For men, the highest median income was \$1,424 in Connecticut as compared to the women's high of \$1,196 in Colorado. At the bottom of the range, \$643 was the lowest median income for the men--this was in Mississippi--and \$455 for the women--in Tennessee.

When the nonmarried are classified by living arrangement, those living in the home of relatives are found to have much less income on the average than those living alone or with nonrelatives. Often it is the amount of income that determines whether a person lives alone or with relatives, although health and convenience are also factors. In 24 States, those living alone or with nonrelatives had median incomes of \$1,000 or above--ranging from \$1,000 in Rhode Island to \$1,351 in Nevada. In only one State--Colorado--was the median income above \$1,000 for the nonmarried living with relatives. Again, we see evidence of Colorado's liberal assistance provisions. On the low side, median incomes below \$1,000 were reported in 27 States for those living alone and 50 States for those living with relatives.

As pointed out earlier, those who live with relatives tend to be in poor financial condition. They tend to be older and to include proportionately many more women than those who live alone. There is surprisingly little difference among the States in the average income of women who share a home with relatives. Even taking together nonmarried men and women, the median income for those living with relatives, is as high in some of the poorer States as in some of the highly industrialized States. For example, in New York where the median for nonmarried living alone or with nonrelatives was \$1,140, the median for those with relatives was \$590, and in Georgia the corresponding medians were \$692 and \$525.

\* \* \* \* \*

In closing I would like to quote the last paragraph of President Kennedy's message to the Congress on Elderly Citizens of our Nation, dated February 1963. "Our national record in providing for our aged is a proud and hopeful one. But it can and must improve. We can continue to move forward by building needed Federal programs, by developing means for comprehensive action in our communities, and by doing all we can, as a Nation and as individuals, to enable our senior citizens to achieve both a better standard of life and a more active, useful and meaningful role in a society that owes them much and can still learn much from them."

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TABLE 1.--Estimated number of persons aged 65 and over in the United States with money income from employment or public programs, by sex, June 1961

Type of money income	Total		Men	Women
	Number	Percent		
Total aged 65 and over <u>1/</u> .....	17,130	100.0	7,760	9,370
Employment, total <u>2/</u> .....	4,100	23.9	2,290	1,370
Employment and no income from public programs .....	910	5.3	630	280
Employment and social insurance benefits ..	2,610	15.2	1,230	1,380
Employment and payments under other public programs .....	580	3.4	430	150
Social insurance (retirement and survivor) benefits, total <u>3/</u> .....	12,430	72.6	5,940	6,490
Benefits and no earnings or veterans' or public assistance payments .....	7,950	46.4	3,660	4,290
Benefits and veterans' payments .....	1,090	6.4	710	380
Benefits and public assistance .....	780	4.6	340	440
Veterans' pension or compensation, total ....	1,890	11.0	1,110	780
Veterans' payment and no earnings or social insurance <u>4/</u> .....	310	1.8	30	280
Public assistance, total <u>5/</u> .....	2,400	14.0	820	1,580
Public assistance and no earnings or payments under other public programs .....	1,510	8.8	420	1,090
No income from employment or public programs	1,390	8.1	310	1,080

1/ The 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

2/ Includes 2,410,000 employed men, 910,000 employed women and an estimated 900,000 nonworking wives of earners.

3/ Includes 11,260,000 OASDI beneficiaries, 640,000 receiving railroad retirement benefits and 1,040,000 receiving payments under programs for government employees. Persons with income from more than one of these programs are counted only once. Estimates of beneficiaries under government employee retirement programs include estimated number of beneficiaries' wives not in direct receipt of benefits.

4/ Includes a small number receiving supplementary public assistance.

5/ Old-age assistance recipients and persons aged 65 and over receiving aid to the blind or to the permanently and totally disabled, including a relatively small number receiving vendor payments for medical care but no direct cash payment under either old-age assistance or medical assistance for the aged.

Source: Estimates by Social Security Administration, Division of Research and Statistics, based on reports of the operating agencies, the Bureau of the Census and the Bureau of Labor Statistics.



Table 2.--Money income in 1959 of couples with head or wife aged 65 and over, by living arrangements  
(Noninstitutional population)

Money income class	Income of couple		
	Total	No relatives present	Relatives present <sup>1/</sup>
United States, total			
Number (in thousands)----	5,083	3,725	1,358
Percent-----	100.0	100.0	100.0
Under \$1,000-----	13.3	12.1	16.6
1,000-1,499-----	12.4	12.0	13.3
1,500-1,999-----	12.3	12.3	12.1
2,000-2,499-----	10.5	10.6	10.1
2,500-2,999-----	8.2	8.4	7.7
3,000-3,999-----	43.3	12.1	40.2
4,000-4,999-----		8.6	
5,000 or more-----		23.8	
Median income-----	\$2,600	\$2,670	\$2,400

<sup>1/</sup> Excludes a small number of couples living as subfamilies in the home of relatives.

U. S. Census of Population: 1960, The Income of the Elderly Population, 1963.

Table 3.--Money income in 1959 of nonmarried persons aged 65 and over, by living arrangements  
(Noninstitutional population)

Money income class	Total	Income of nonmarried persons			
		Living alone or with non-relatives	Living with relatives		
			Total	As head	Relative of head <u>1/</u>
United States, total	Men and women				
Number (in thousands)-----	7,810	3,759	4,051	1,326	2,725
Percent-----	100.0	100.0	100.0	100.0	100.0
Under \$1,000-----	59.2	49.7	67.9	57.0	73.2
1,000-1,499-----	15.0	18.3	12.0	14.1	11.0
1,500-1,999-----	7.4	9.1	5.8	7.7	4.9
2,000-2,999-----	7.8	9.6	6.1	8.7	4.9
3,000 and over-----	10.6	13.3	8.1	12.6	6.0
Median income-----	\$790	\$1,010	\$620	\$840	\$520
United States, total	Men				
Number (in thousands)-----	2,282	1,194	1,088	360	729
Percent-----	100.0	100.0	100.0	100.0	100.0
Under \$1,000-----	43.8	39.3	48.7	37.8	54.0
1,000-1,499-----	19.0	20.4	17.4	17.6	17.4
1,500-1,999-----	10.2	11.0	9.4	10.7	8.7
2,000-2,999-----	11.2	11.9	10.5	13.0	9.2
3,000 and over-----	15.8	17.4	14.1	20.8	10.6
Median income-----	\$1,160	\$1,260	\$1,040	\$1,350	\$900
United States, total	Women				
Number (in thousands)-----	5,528	2,565	2,963	967	1,996
Percent-----	100.0	100.0	100.0	100.0	100.0
Under \$1,000-----	65.5	54.6	75.0	64.1	80.2
1,000-1,499-----	13.4	17.3	10.0	12.7	8.7
1,500-1,999-----	6.2	8.2	4.5	6.6	3.5
2,000-2,999-----	6.4	8.6	4.6	7.0	3.4
3,000 and over-----	8.4	11.4	6.0	9.6	4.3
Median income-----	\$670	\$890	\$500	\$700	\$410

<sup>1/</sup> Includes a small number of married persons who were members of subfamilies living in the home of relatives.

U. S. Census of Population: 1960, The Income of the Elderly Population, 1963.

Table 4.--Change in money income from 1951 to 1959: Percentage distribution of aged couples and nonmarried persons aged 65 and over, by living arrangements and sex

(Noninstitutional population)

Money income class	Total			No relatives present			Relatives present		
	1959	1951		1959	1951		1959	1951	
		1959 dollars	Current dollars		1959 dollars	Current dollars		1959 dollars	Current dollars
	Married couples 1/								
All incomes-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under \$1,000-----	13.3	33.0	38.1	12.1	30.5	35.3	16.6	40.1	44.5
1,000-1,499-----	12.4	15.4	15.4	12.0	16.9	16.2	13.3	14.0	13.7
1,500-1,999-----	12.3	11.2	10.5	12.3	10.1	10.4	12.1	10.4	10.9
2,000-2,499-----	10.5	8.1	8.7	10.6	8.0	8.4	10.1	8.5	9.3
2,500-2,999-----	8.2	6.6	5.3	8.4	6.6	5.3	7.7	7.1	5.3
3,000-3,999-----	}43.3	9.7	9.3	12.1	10.2	10.2	}40.2	8.2	7.4
4,000-4,999-----		5.9	5.5	8.6	6.2	5.7		5.1	5.0
5,000 and over-----		10.1	7.2	23.8	11.5	8.5		6.6	3.9
Median income-----	\$2,600	\$1,550	\$1,390	\$2,670	\$1,630	\$1,460	\$2,400	\$1,350	\$1,210
	Nonmarried men 2/								
All incomes-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under \$1,000-----	43.8	62.7	70.2	39.3	59.8	68.7	48.7	66.0	71.6
1,000-1,499-----	19.0	14.7	10.7	20.4	15.6	9.7	17.4	13.8	11.8
1,500-1,999-----	10.2	6.3	5.1	11.0	6.3	5.8	9.4	7.1	4.3
2,000-2,499-----	}11.2	3.9	3.7	}11.9	4.4	4.2	}10.5	2.3	3.1
2,500-2,999-----		3.0	2.5		3.4	3.1		2.3	2.0
3,000 and over-----		9.4	7.9		17.4	10.5		8.6	14.1
Median income-----	\$1,160	\$740	\$660	\$1,260	\$830	\$740	\$1,040	\$620	\$550
	Nonmarried women 2/								
All incomes-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under \$1,000-----	65.5	81.0	86.9	54.6	73.0	80.9	75.0	86.8	90.9
1,000-1,499-----	13.4	9.3	5.0	17.3	13.5	8.2	10.0	6.1	3.0
1,500-1,999-----	6.2	3.5	3.3	8.2	5.3	4.8	4.5	2.3	2.4
2,000-2,499-----	}6.4	2.1	1.4	}8.6	3.3	2.6	}4.6	1.4	.6
2,500-2,999-----		1.1	.9		1.7	.9		.6	.8
3,000 and over-----		3.0	2.5		11.4	3.2		2.7	6.0
Median income-----	\$670	\$310	\$270	\$890	\$620	\$560	\$500	\$90	\$80

1/ Couples were defined to include those with either head or wife 65 and over in 1959, with head 65 and over in 1951. A small number of couples living as subfamilies in the home of relatives was included in 1951, excluded in 1959. See text for discussion of effect of these differences in definition.

2/ In 1959 includes a small number of married persons who were members of subfamilies living in the home of relatives.

1959 data from U. S. Census of Population: 1960, The Income of the Elderly Population (1963); 1951 data from Peter O. Steiner and Robert Dorfman, The Economic Status of the Aged, University of California Press, 1957 (table 102).

Table 5.--Money Income in 1959 of couples with head or wife aged 65 and over, by State: Percentage distribution of couples by income, and median money income by living arrangement

State	Total number	Percent of all couples						Median money income			
		Under \$1,000	\$1,000-\$1,499	\$1,500-\$1,999	\$2,000-\$2,499	\$2,500-\$2,999	\$3,000 or more	All couples		No relatives present	Relatives present 2/
								Amount	Rank 1/		
United States											
Alabama	85,515	28.6	23.6	11.7	8.2	5.7	22.2	\$1,453	49	1,520	1,353
Alaska	1,480	14.6	12.6	11.4	9.1	6.4	46.0	2,686	24	4,011	2,040
Arizona	30,568	11.1	11.0	12.3	10.3	9.2	46.1	2,787	19	2,879	2,408
Arkansas	69,146	28.9	23.8	12.6	9.4	5.8	19.5	1,444	50	1,471	1,371
California	412,215	7.3	8.2	10.0	11.6	8.4	54.5	3,000*	4	3,362	3,000*
Colorado	49,466	6.1	9.0	9.6	17.1	10.9	47.3	2,878	16	2,908	2,721
Connecticut	69,566	6.9	7.7	10.0	9.2	8.0	58.2	3,000*	3	3,702	3,000*
Delaware	10,208	11.6	10.1	10.4	10.1	8.0	49.9	2,992	11	3,076	2,799
District of Columbia	16,160	7.5	6.1	6.3	7.1	5.3	67.7	3,000*	1	4,892	3,000*
Florida	204,454	10.9	12.7	12.7	11.8	9.7	42.2	2,595	29	2,643	2,372
Georgia	88,458	24.7	22.8	11.9	8.3	5.9	26.5	1,607	46	1,738	1,432
Hawaii	7,342	14.3	10.9	10.5	11.0	8.1	45.2	2,702	23	2,906	2,488
Idaho	20,373	9.3	12.3	14.3	11.2	9.9	42.9	2,644	26	2,610	2,788
Illinois	289,150	10.6	9.7	10.6	9.6	8.0	51.5	3,000*	8	3,111	3,000*
Indiana	139,756	11.8	12.0	12.6	11.4	9.4	42.8	2,617	27	2,617	2,619
Iowa	103,074	12.6	12.4	13.5	11.5	9.0	41.0	2,498	34	2,485	2,568
Kansas	77,471	11.3	13.4	12.7	11.4	9.0	42.2	2,566	31	2,584	2,484
Kentucky	96,548	24.1	18.7	13.0	10.5	7.2	26.5	1,778	44	1,828	1,686
Louisiana	74,037	16.9	17.6	22.6	10.4	5.8	26.7	1,842	43	1,896	1,732
Maine	30,677	9.2	12.5	14.9	12.2	10.4	40.7	2,554	33	2,584	2,469
Maryland	62,492	11.8	9.5	10.2	9.2	8.0	51.3	3,000*	9	3,252	2,845
Massachusetts	152,286	7.4	9.1	11.8	9.6	8.5	53.5	3,000*	7	3,308	3,000*
Michigan	203,810	9.7	11.1	12.9	11.7	9.4	45.2	2,743	21	2,739	2,577
Minnesota	109,749	11.5	12.4	13.2	11.4	9.3	42.3	2,584	30	2,578	2,597
Mississippi	64,192	39.9	20.1	11.0	7.5	4.4	17.1	1,250	51	1,324	1,123
Missouri	157,060	13.8	14.9	16.8	10.7	7.8	36.0	2,211	38	2,205	2,235
Montana	21,324	7.9	10.1	12.2	11.3	9.3	49.2	2,957	13	2,959	2,949
Nebraska	53,644	11.7	12.6	12.6	12.0	9.3	41.9	2,561	32	2,568	2,527
Nevada	5,730	7.6	6.4	8.6	8.8	8.1	60.5	3,000*	2	3,913	3,000*
New Hampshire	18,876	9.3	9.4	11.9	10.5	10.7	48.2	2,915	14	2,952	2,796
New Jersey	164,254	9.3	8.8	10.9	9.5	8.0	53.6	3,000*	5	3,325	3,000*
New Mexico	17,468	19.2	14.6	10.9	9.9	7.2	38.1	2,264	37	2,522	1,814
New York	484,486	9.3	8.9	10.6	9.6	8.1	53.6	3,000*	6	3,334	3,000*
North Carolina	98,965	28.6	17.9	12.0	9.0	6.2	26.3	1,648	45	1,826	1,426
North Dakota	18,872	12.1	14.7	13.0	11.9	9.0	39.4	2,431	35	2,421	2,454
Ohio	271,349	10.3	10.5	12.7	10.7	8.8	47.1	2,836	17	2,858	2,769
Oklahoma	83,869	13.4	19.0	20.0	9.5	7.0	31.1	1,939	42	1,957	1,861
Oregon	61,259	8.8	11.2	12.7	11.1	9.8	46.3	2,812	18	2,800	2,977
Pennsylvania	323,641	10.7	10.2	12.3	11.7	9.8	45.3	2,761	20	2,824	2,621
Rhode Island	24,685	10.5	11.7	14.1	9.8	8.9	45.0	2,722	22	2,749	2,663
South Carolina	45,701	34.9	15.4	11.1	7.9	5.7	25.0	1,491	48	1,737	1,252
South Dakota	23,293	14.8	14.5	14.4	11.4	9.4	35.4	2,272	36	2,272	2,272
Tennessee	99,338	31.0	17.3	11.9	9.0	6.1	24.7	1,572	47	1,662	1,445
Texas	243,382	18.4	18.2	12.6	9.4	6.8	34.5	2,038	41	2,138	1,801
Utah	20,280	8.6	12.0	11.4	10.7	9.5	47.7	2,880	15	2,851	2,986
Vermont	12,227	10.1	12.2	13.6	12.1	9.7	42.3	2,602	28	2,641	2,470
Virginia	85,985	21.9	13.5	11.0	9.4	7.0	37.3	2,194	39	2,452	1,808
Washington	88,498	6.7	9.7	14.4	10.5	9.0	49.7	2,984	12	2,965	3,000*
West Virginia	57,225	22.3	13.9	12.2	12.2	9.0	30.5	2,069	40	2,138	1,952
Wisconsin	124,821	10.7	11.8	13.1	11.6	9.4	43.3	2,649	25	2,648	2,652
Wyoming	8,836	7.8	9.1	12.5	10.5	9.3	50.8	3,000*	10	3,032	3,000*

1/ The States where the median income for couples exceeded \$3,000 were ranked on the basis of the percent having incomes above \$3,000.

2/ Income of couple only; does not include income of other relatives present in household.

\* Median income exceeds \$3,000. The exact figure cannot be computed because couples with relatives present were not tabulated by income class above \$3,000.

Source: U.S. Census of Population, 1960. Income of the Elderly Population.

TABLE 6.--Money Income in 1959 of nonmarried persons aged 65 and over, by State: Percentage distribution of nonmarried persons by income, and median money income, by sex and living arrangement

State	Total number	Percent of all nonmarried persons					Median money income				
		Under \$1,000	\$1,000-\$1,500	\$1,500-\$2,000	\$2,000-\$2,999	\$3,000 or more	All nonmarried	Men	Women	Living alone or with nonrelatives	Living with relatives <sup>1</sup>
United States											
Alabama	125,194	79.7	7.6	4.0	3.9	4.8	\$566	\$687	\$530	\$661	\$516
Alaska	3,192	45.1	21.3	7.2	8.6	17.9	1,115	1,319	805	1,327	715
Arizona	40,481	55.8	16.1	8.4	8.8	10.8	863	1,184	723	1,100	624
Arkansas	82,734	77.9	9.0	4.6	3.9	4.6	572	690	526	657	491
California	676,033	40.1	26.9	9.9	9.2	14.0	1,185	1,373	1,108	1,314	953
Colorado	72,190	29.6	43.1	7.4	8.5	11.4	1,237	1,333	1,196	1,287	1,156
Connecticut	116,897	51.1	15.4	8.3	10.1	15.1	967	1,424	768	1,323	738
Delaware	17,162	59.2	12.4	7.2	8.2	12.9	768	1,186	628	1,014	599
District of Columbia	39,820	43.7	10.6	7.9	12.5	25.4	1,298	1,712	1,144	1,923	784
Florida	219,853	58.9	14.2	7.9	8.5	10.5	804	1,206	679	1,001	608
Georgia	149,726	76.8	8.1	4.3	4.5	6.2	584	709	550	692	525
Hawaii	16,996	65.1	11.1	7.8	7.0	9.0	620	944	374	1,020	447
Idaho	23,589	52.3	19.8	8.1	9.7	10.2	945	1,185	823	1,082	696
Illinois	465,750	56.6	13.5	7.5	8.8	13.5	835	1,323	674	1,037	669
Indiana	195,865	61.4	13.5	7.5	8.0	9.4	747	1,148	634	886	599
Iowa	139,442	56.9	16.1	8.6	8.7	9.7	838	1,179	728	967	679
Kansas	101,656	58.1	15.7	7.7	8.4	10.1	817	1,116	729	934	654
Kentucky	131,641	72.2	10.0	5.6	5.5	6.8	602	793	533	694	533
Louisiana	124,642	66.9	16.9	5.5	4.8	5.9	708	897	652	793	650
Maine	53,056	58.8	14.9	8.5	8.9	9.0	811	1,045	713	1,009	637
Maryland	116,087	61.3	12.0	7.1	7.8	11.8	721	1,176	581	966	585
Massachusetts	287,817	50.2	18.3	8.3	9.8	13.4	993	1,382	830	1,244	760
Michigan	288,053	58.6	15.6	8.3	7.9	9.6	802	1,218	648	1,008	615
Minnesota	154,704	57.9	14.7	8.9	8.6	9.9	824	1,121	709	972	670
Mississippi	90,097	82.0	7.0	3.8	3.3	4.0	554	643	521	631	508
Missouri	230,241	64.2	14.0	6.6	6.6	8.6	719	964	641	818	604
Montana	28,926	47.9	20.0	9.6	10.5	12.0	1,053	1,311	868	1,169	789
Nebraska	68,383	57.2	14.4	8.9	8.9	10.6	827	1,126	732	952	652
Nevada	9,651	42.3	20.3	10.3	10.9	16.2	1,190	1,458	930	1,351	844
New Hampshire	32,120	57.0	13.9	8.1	9.6	11.3	835	1,197	718	1,030	677
New Jersey	278,334	57.3	13.7	7.3	8.6	13.0	806	1,342	624	1,132	624
New Mexico	23,145	63.8	11.5	7.0	7.2	10.6	695	937	593	925	502
New York	842,767	56.3	13.7	7.5	8.9	13.6	826	1,323	649	1,140	590
North Carolina	149,152	76.9	8.6	4.5	4.5	5.5	518	692	462	703	433
North Dakota	24,806	57.6	15.6	8.3	8.6	9.9	818	1,135	667	978	644
Ohio	422,166	58.9	14.8	7.6	7.8	10.8	799	1,235	659	986	643
Oklahoma	107,976	64.6	17.2	5.9	5.5	6.9	732	900	680	830	599
Oregon	77,454	51.8	18.8	9.3	9.5	10.6	956	1,244	822	1,122	692
Pennsylvania	558,946	59.9	13.5	8.0	8.4	10.2	760	1,290	582	994	609
Rhode Island	44,852	59.1	15.0	6.9	8.3	10.7	784	1,204	650	1,000	641
South Carolina	77,352	79.2	7.7	4.0	4.1	4.9	513	666	470	642	437
South Dakota	30,675	62.0	14.8	8.3	7.2	7.8	746	957	653	858	605
Tennessee	145,701	77.1	8.4	4.6	4.3	5.6	517	703	455	661	431
Texas	345,043	70.8	10.1	5.6	5.6	8.0	641	814	589	752	541
Utah	24,396	59.9	15.2	7.5	8.3	9.0	791	1,236	669	879	644
Vermont	20,994	59.1	15.3	8.0	8.0	9.6	805	1,016	730	1,022	648
Virginia	144,296	69.2	9.9	5.8	6.1	8.9	575	859	479	845	435
Washington	123,762	44.9	25.5	9.2	9.3	11.2	1,101	1,280	1,005	1,217	784
West Virginia	77,021	70.3	10.1	6.1	6.9	6.5	599	912	490	743	502
Wisconsin	178,489	58.6	14.2	8.4	8.7	10.1	808	1,153	683	961	676
Wyoming	11,096	46.3	20.5	9.1	10.8	13.3	1,090	1,388	904	1,229	787

<sup>1</sup>/ Income of aged person only, does not include income of other relatives present.

Source: U.S. Census of Population, 1960. Income of the Elderly Population



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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

DIETS OF OLDER PEOPLE

Talk by Sadye F. Adelson  
Consumer and Food Economics Research Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 2:45 p.m., Wednesday, November 20, 1963

For many oldsters the later years lack the lustre of life. Lenore Epstein has shown the need of some for more money for a more desirable level of living and of course that includes a more adequate diet. If this afternoon's program included a psychologist, sociologist, doctor, and dentist need for other improvements would be added. Many of these other needs, like income, would probably relate in some way to diets in the later years.

It is 20 years or more since Dr. Henry C. Sherman distilled his years of research into the promise that the science of nutrition can "add life to years and years to life." Later research and developments have repeatedly proven him right. Are the elderly reaping the full benefits of this nutritional research? Or, are their diets faulty? If so, in which important nutrients? To what extent? What foods would improve dietary levels? What influences diet quality--income? money value of food? age of the older person? age of the family homemaker?

Changes in basic food habits are usually more gradual than abrupt. Therefore, it seems well to include some consideration of the decade or two before the years commonly termed "golden." Some facts and straws in the wind about the diets of folks beyond the half century mark who live at home and usually eat most of their meals at home come from several of our surveys.

The first study is used as a background to show the dietary levels of households in the United States as a whole, regardless of income, by the age of the family homemaker. 1/

The study to be used most is about the household food consumption of beneficiaries of Old Age and Survivors Insurance (OASI) who were of course 65 years or older. They either lived alone or with one other person 55 years of age or older in Rochester, New York. 2/ Their family incomes were relatively low. A half of the households were husband-wife families, nearly a third were women living alone and the rest included single housekeeping men, brother-sister teams and other twosomes.

A third study concerns the diets of Minneapolis-St. Paul business and professional men who as a group were presumably upper middle income and well educated and who were in their 50's. 3/

A fourth study relates to the diets of older homemakers in samples of housekeeping households at all income levels in 4 large cities. 4/



Thus we will be discussing the diets of those who are or are about to be elders, in a group with fairly low incomes, in a group with moderately high incomes and in a group with incomes represented "across the board." We will also be talking about the food of men and women who live alone and who live with others.

The recommended daily dietary allowances of the National Research Council (NRC) are used as a yardstick for evaluating the diets of these groups. 5/ You undoubtedly are aware that the full NRC allowances are judgments of nutrition experts who consider them, except for calories, well above minimal requirements but not necessarily optimal levels of intake. The margin over minimal requirements varies widely among nutrients but two-thirds of the full allowances may be considered a nutritional floor below which diets would be unsafe for some individuals over a period of time. Height, weight and other variables affect the nutrient requirements of an individual. The allowances, therefore, do not constitute a precise tool for rating diets of persons or households individually.

However, it is appropriate to use them for evaluating the dietary levels of groups of persons or households. They are especially useful as a point of reference in measuring time trends in dietary levels and in comparing dietary levels of population groups when methods for collecting the dietary data are essentially the same. The allowances also serve well in planning national food supplies since they cover the varying needs of all the healthy individuals in the USA population.

In the charts which follow three levels of quality for each nutrient are usually shown--(1) diets providing NRC allowances in full (100 percent); (2) diets providing at least two-thirds of the allowances (67 percent) but less than 100 percent; and (3) diets providing less than two-thirds of the allowances.

Nutritional levels in terms of diets meeting allowances both at the full and at the two-thirds level give a range of diet quality which emphasizes the approximate character of the data.

#### Age of homemaker

The first chart (fig. 1) presents a comparison of the overall quality of diets in the USA in households with homemakers under 60 years of age and households with older homemakers. The comparison is based on the percentage of households with diets meeting allowances in full for all 8 nutrients considered. A significantly greater percentage of the younger households than the older ones met allowances, 53 percent vs. 47 percent.

Although a difference of less-than-10 percentage points appears small, it represents many persons for as we have been told this afternoon our population over 60 years of age is large and growing larger.

### Nutrient levels of OASI households

The next chart (fig. 2) concerns the nutritional quality of the food consumption of the 1- and 2-member OASI households in the spring of 1957. Let us first look at the percentage with diets providing allowances in full for the nutrients that usually were low when diets were short. About 70 percent met allowances in full in calcium, riboflavin, and ascorbic acid and somewhat fewer, about 65 percent, in thiamine.

Of course a higher percentage of the diets provided two-thirds of allowances, roughly from 85 percent to 95 percent. This leaves 5 to 15 percent of the diets below two-thirds of allowances in individual nutrients--approximately 5 percent in riboflavin, 10 percent in calcium and thiamine, and 15 percent in ascorbic acid, the nutrient in shortest supply.

It should be noted that calorie allowances were generally well met.

To sum up in terms of calories and the 8 important nutrients used to evaluate diet quality--about 40 percent of the OASI household diets provided allowances in full and another 30 percent provided at least two-thirds of allowances for all nutrients studied. The rest, about 30 percent of the diets, fell short of the two-thirds mark in 1 or more nutrients. As has been pointed out earlier the two-thirds mark should be considered a nutritional floor. The people with such pronounced dietary shortages are therefore a real concern. The concern is heightened by the probability that the OASI beneficiaries fared even worse than these figures indicate. Their dietary levels have been determined from food supplies as they were brought into the household and include what ultimately was discarded in the kitchen or at the table. This discard is often high in calories and fat and it may also include fair amounts of important nutrients.

To what extent are diets of such low quality usual among the 18 million persons aged 65 and over in the USA? Unfortunately we do not have the answer; however, with almost one-half of the individuals over 65 living on annual per person incomes below \$1,000 we suspect the number of older folks with faulty diets to be higher than for others in the population. 6/ The percentage of households with diets furnishing less than two-thirds of allowances in 1 or more nutrients for all USA households in 1955 was roughly half of that for the OASI Rochester households in 1957, 13 percent vs. 30 percent.

No comparison has been made of the relative quality of the diets of men and women in this OASI study. Several other studies made in the past decade or two indicate that men tend to make nutritionally better food selections than women. For example California and Colorado workers found that compared with older females, older males had higher average intakes of each nutrient and their diets usually met allowances more frequently. 7/ Men fared better despite lower calories in relation to allowances than women. This male superiority in diet quality was apparent for each age group studied in the Western Region from age 5 to 12 through age 80 and over.

### Nutrient levels of business and professional men

The next chart (fig. 3) concerns the food eaten by the more prosperous and somewhat younger business and professional men. This is a relatively true picture of their dietary situation since they reported only ingested food; any edible food left on plates was deducted from the amount served.

Only about one-half of the men selected food that provided 100 percent of allowances for calcium, thiamine, and riboflavin. About three quarters reached this high level for ascorbic acid. A fifth of the men's diets met allowances fully in all of the 8 nutrients studied.

However, the diets of few men fell short of the two-thirds level in any nutrient but calcium. More than 10 percent were short in calcium. About 5 percent were short in ascorbic acid and riboflavin.

It is evident that men in their 50's who have a good educational background and sufficient income to buy a good diet do not necessarily select a good diet. Like the population in general there are some among them who would profit from nutrition guidance. Their intakes of foods that are rich sources of calcium, ascorbic acid, and riboflavin need to be increased.

### About calories

It has repeatedly been found that many diets rated nutritionally "good" are high in calories. Older people behave no differently from others in the population.

The next chart (fig. 4) shows that a similar number of calories provided one group of city homemakers over 60 years of age with a nutritionally better diet than another.

Average nutrient intakes of the homemakers in group I are shown as 100 percent. Diets of those in group II averaged somewhat higher in calcium (by 12 percent) and riboflavin (by 16 percent) and considerably higher in ascorbic acid (by 142 percent).

Other studies have revealed that nutritionally satisfactory diets are frequently achieved at reasonable calorie levels. For example, only 1 out of 5 of the business and professional men with diets providing full allowances had caloric intakes that seemed excessive in relation to caloric requirements for sex and age. Extra calories are expensive and a threat to health as they usually increase food expense and body weight.

Individuals in the OASI households were asked whether any foods were chosen or avoided deliberately and, if so, for what reasons. About 8 in 10 reported some dietary limitation that seemed more or less related to health--an organic disease (diabetes, cardiovascular disease and the like), weight control, chewing difficulty, poor appetite, and prejudice or discomfort. When responses were sorted by diet quality health problems did not appear to have much effect on nutritional levels but poor appetites and low interest in food did. Furthermore, persons who were trying to lose weight tended to select poorer diets than others.

Thus there are some OASI beneficiaries, some homemakers, some business and professional men and undoubtedly some others at all income and educational levels who need direction in changing food habits as aging gradually reduces caloric requirements.

#### Food expenditures

Roughly a third of these OASI households had food that was below the money value of the low-cost adequate food plan, a third had food that exceeded the money value of the liberal-cost adequate food plan and the food costs of the other third was in-between. The food plans are ones developed by USDA with which most of you are familiar. 8/ Food in the low-cost plan had a money value of \$6.50 and in the liberal one \$9.50 per person per week for a husband-wife household at the time of the survey. Corresponding figures for a 75-year or older person living alone were \$6.00 and \$9.00 for a women and \$8.00 and \$11.00 for a man.

The next chart (fig. 5) shows that 80 percent of those with food worth more than the cost of the liberal plan had diets meeting allowances in full.

In contrast, 60 percent of those spending less than the money value of the food in the low-cost plan were found to have diets that failed to provide as much as two-thirds of allowances.

However, a few households with food below the low cost level had diets that met allowances in full. Probably ingenious homemakers were managing their food money. Conversely, there were a few households with food above the liberal cost level whose diets failed to reach even the two-thirds NRC level.

Usually when these older folks spent as much as the money value of the food in the low-cost plan they had diets that met at least two-thirds of allowances.

### Incomes

The OASI households were also grouped by income-low, middle, and high. The year's income was considered low if under \$1,000 for 1-person households and under \$2,000 for 2-person households. High incomes started at \$2,000 and \$3,000 respectively. Middle incomes were of course in between (not shown on chart). About a third of the households fell into each income category.

The next chart (fig. 6) shows that diets meeting allowances were almost one and one-half times as frequent among the high income group as the low one. Just the reverse was true in respect to diets below two-thirds of allowances, they were more than twice as numerous at the low as at the high income level.

Of course more income allows more money for food which as shown earlier increases the possibility of a satisfactory diet. Nearly a half of the low income households had food worth less than the USDA's low cost food plan. Only a fifth of the high income households had food worth so little.

Thus it appears that higher incomes are needed to raise most of the third of the OASI households with low food expenditures to the level of the low cost food plan. However, there are others with seemingly sufficient income who appear to need guidance in managing their incomes to provide an adequate amount for food, or need to be convinced of the importance of buying and eating an adequate diet. There are still others who spend enough but need help in getting a good nutritional return on their food money.

### Age of homemaker

About 70 percent of the homemakers in the OASI households were in the "younger" group, 55 to 74 years. The other 30 percent were 75 years or older.

The next chart (fig. 7) shows that the quality of diets furnished their households was directly affected by the age of these homemakers. Diets of the "younger" households provided allowances much more frequently than diets of the older households, 50 percent vs. 30 percent. Older households had diets below two-thirds of allowances more often, roughly 40 percent vs. 25 percent. Thus even when the "over 55" homemakers are classified by age, the more elderly are found to serve their households diets of poorer quality than those less advanced in years.

You will recall that the 1955 nationwide survey of food consumption also revealed that households with homemakers over 60 years tended to fare less well than younger households. In that study a similar situation was found among women living alone as many older women do. Diets of only 53 percent of the single women over 60 years provided allowances for all 8 nutrients. In comparison, diets of 60 percent of those under 60 provided this level of quality.



In summary

Some evidence has been given from several studies that although most of the older folks select a nutritionally good diet, a considerable number have daily diets that need to be increased in 1 or more nutrients. The most usual shortages are in calcium and ascorbic acid. Other nutrients that may be low are thiamine and riboflavin. Such faults occur in diets of both men and women but to a greater extent in diets of women. The faults could be corrected by greater use of milk and cheese to increase calcium and riboflavin, citrus fruit and leafy greens to increase ascorbic acid, and bread and cereals to increase thiamine and riboflavin. More meat would also help raise the B-vitamins.

Education in food selection needs to start early. As Dr. Edward J. Stieglitz, a Geriatrics Specialist, has said, "We are to-day what we are largely because of our yesterdays. The older we become the more yesterdays have affected us." Although diets are relatively better among the young than the elderly, diets of many young people could be improved. In relation to allowances diets seem to worsen with age, in fact from childhood on and at a greater rate among females than males. In later life this probably relates in part to reduction in caloric intake prompted by lower caloric requirements and smaller appetites. Cutting calories with advancing age is in general a desirable practice; however, in reducing calories the nutrient quality of diets is often lowered. It has been shown that older people whose diets provide allowances in full, often eat more calories than needed. More judicious food selection is necessary to reduce the incidence of overweight and thus help to delay signs of aging that may be associated with overweight as well as other factors.

Achievement of good diets is more than a question of know-how. Older folks like others must have sufficient income to buy a good diet. Many do not. In addition they must be convinced that food makes a difference in health in the later years and that the money they spend on an adequate diet is money well spent. Finally, the will to be healthy is an important force.



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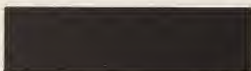
Diet Quality as Related to

**AGE OF HOMEMAKER**

*Diets Meeting NRC Allowances in All Nutrients*

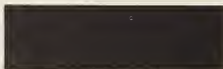
**HOMEMAKERS**

UNDER 60



53%

60 AND OVER



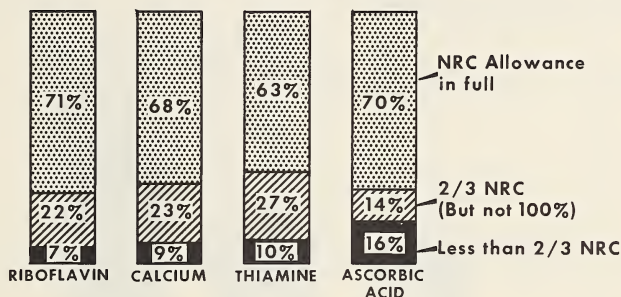
47%

U. S. HOUSEHOLDS, 1955.

Figure 1

Nutrient Levels of

# OLDER HOUSEHOLDS



OASI BENEFICIARY HOUSEHOLDS, ROCHESTER, N. Y., 1957.

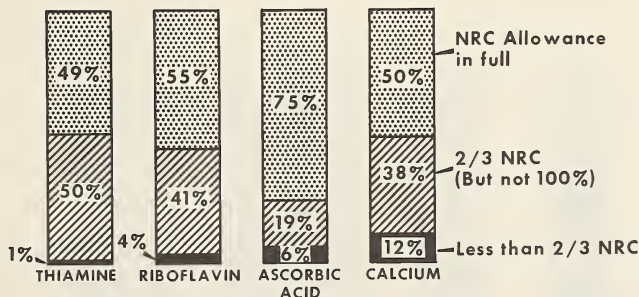
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Figure 2

Nutrient Levels of

# BUSINESS AND PROFESSIONAL MEN



MINNEAPOLIS-ST. PAUL, 1953 AND 1954.

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Figure 3

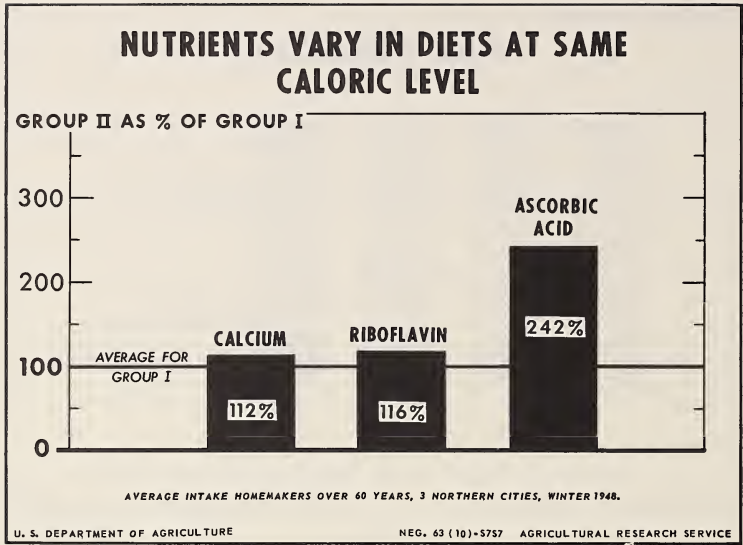


Figure 4

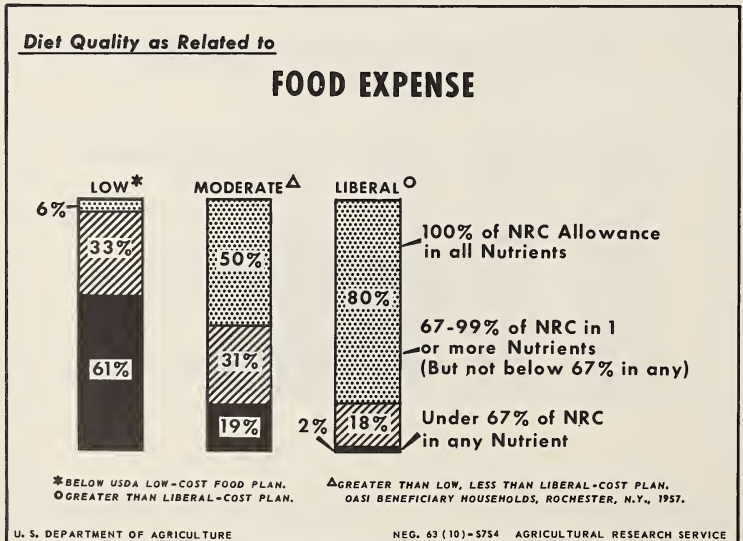
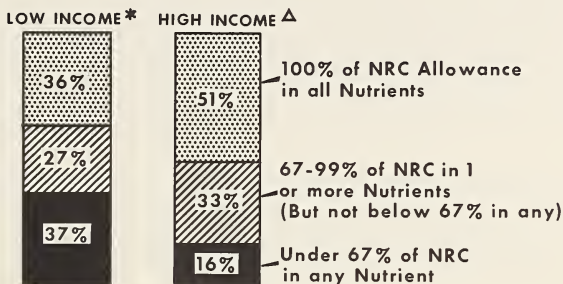


Figure 5

# Diet Quality as Related to

## INCOME



\* UNDER \$1,000 FOR 1 AND \$2,000 FOR 2 MEMBERS.  
 Δ \$2,000 AND OVER FOR 1, \$3,000 AND OVER FOR 2 MEMBERS.  
 OASI BENEFICIARY HOUSEHOLDS, ROCHESTER, N. Y., 1957.

U. S. DEPARTMENT OF AGRICULTURE

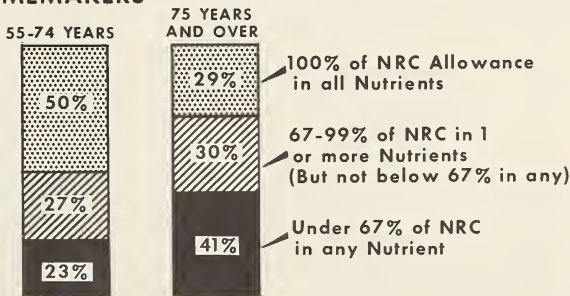
NEG. 63 (10)-5753 AGRICULTURAL RESEARCH SERVICE

Figure 6

# Diet Quality as Related to

## AGING

### HOMEMAKERS



OASI BENEFICIARY HOUSEHOLDS, ROCHESTER, N. Y., 1957.

U. S. DEPARTMENT OF AGRICULTURE

NEG. 63 (10)-5752 AGRICULTURAL RESEARCH SERVICE

Figure 7



REPORT FROM THE PRESIDENT'S COUNCIL ON AGING

(\*\*\*)

Talk by Warren T. Roudebush  
President's Council on Aging  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 3:30 p.m., Wednesday, November 20, 1963

It has been estimated that half the people who lived to the age of 65 are still living today. I cannot vouch for its scientific accuracy, but I am told by experts in demography that it is a plausible estimate. It seems to me to dramatize the fact that in this last half century of the second millennium since the time of Christ, we have come to a totally new situation--in terms of the number of older people in our population, the character and condition of their place in our economy and our society, and their potential opportunities for self-fulfillment.

The demographers have dramatic figures to show the numbers of older Americans in our population. There are living today more than 10,000 centenarians. There are more than 6 million people over age 75. There are 18 million people over age 65. There are 25 million people age 60 and over. There is a net increase in the number of persons age 65 and over of one thousand persons daily.

From 1900 until today, the total population of the United States has increased two and one-half times, but the increase in the number of persons age 65 and over during the same period has been almost six times.

We know a great deal about the older American. Earlier this year the organization that I represent submitted its first annual report to President Kennedy and published it under the title, The Older American. This report, which I hope all of you have an opportunity to see, is primarily a portrayal of the situation of older people in this Nation.

Older people have less income. The average income received by aged couples is half that of younger 2-person families. Almost half of those over 65 living alone received \$1,000 or less a year. Half the spending units headed by persons over 65 have liquid assets of less than \$1,000. Two-fifths have a total net worth, including their home, of less than \$5,000.

Incomes vary in this age group as in any age group. Two hundred thousand (slightly more than one percent) of people over 65 have annual incomes in excess of \$20,000. But one out of every eight persons over 65 is on public assistance, averaging about \$60 per month per person.

Older people have poor housing. Thirty percent of the households headed by persons 65 and over were found in the 1960 census to be substandard. They were dilapidated, deteriorated, or lacked some or all plumbing facilities. A recent study of quality in housing of persons receiving social security showed that 45 percent of all aged living in households were classified as being in need of better accommodations. Eighty percent were living in houses at least 30 years old and 40 percent living in houses at least 50 years old. The aged in poorest health, by and large, occupied the poorest housing.



Older Americans are sick more often and for longer periods than the rest of the population. Four of every five persons aged 65 and over have some kind of chronic ailment, fortunately, most of them not substantially handicapping. One out of eight is hospitalized annually. Persons 65 and over require three times as many days of hospital care as persons under 65. They have nearly twice as many home accidents as the average adult and three times as many fatal accidents.

These are just a few of the highlights of the situation of the older American. It is this kind of data that the Council had in mind when it reported to the President that the problems of the older American have come dangerously close to making him a second class citizen. The report goes on to say, however, that recognition of the problems and public concern with them have already brought significant action and promise much more to come. I refer to concern and action at all levels of government, by both private and public organizations, by employers, by unions, and by many individuals. In the remainder of this paper, however, I shall discuss only the Federal action programs.

Several times a year I return to the town in Ohio where I grew up and renew relationships with my friends there. When I mention the fact that I am in the field of aging one topic invariably comes up: the issue of hospital insurance under social security. This does not surprise me. It is the priority issue in the field of aging. President Kennedy has said that this is our number one objective for our senior citizens. The members of the President's Council on Aging have gone on record repeatedly urging enactment of the King-Anderson bills. What does bother me is that there seems to be so little awareness of other Federal action going on in behalf of older Americans.

A part of the reason for this, I am sure, is our ideal of individual independence and self-direction, our strong feelings on family responsibility, our strong feeling about local community responsibility, and our feelings about the division of Federal and State responsibilities. And it is true that most Federal action programs are carried out through local or State authorities on a cooperative and supporting basis. The most notable exception to this pattern is the direct-action program represented by the Social Security System, and other direct payment income maintenance programs.

As close as I am to the Federal programs in aging, I continue to be surprised at the extent and size of them. In preparing this paper I made a count of programs in the income maintenance, health and medical care, housing, employment, and certain other areas. There are at least 44 programs of special significance for older people. The total amount of money spent annually by the Federal Government for persons 65 and over is over \$17 billion. In addition to this, there are special tax benefits at age 65 that netted a savings of more than three-fourths billion dollars in fiscal year 1963.

The first major Federal action program for the aging is only 28 years old. I refer to the Social Security Act passed in the thirties. The first old-age assistance grants were made in 1936, and social security benefits began in 1940. Most of the other programs were initiated in the 1950's. A

landmark in the history of aging in the United States was the White House Conference on Aging held in January of 1961. The Conference was held pursuant to a law passed in a Democratic Congress and signed by a Republican President. Principal credit for the White House Conference Act belongs to Congressman John Fogarty of Rhode Island, who has consistently been the strongest supporter in the House of Representatives for programs for the aging. The Conference was attended by 3,000 delegates designated by the Governors. At the end of the Conference, approximately 700 recommendations and statements of objectives had been agreed to. More than 100 of these related to Federal action. We are proud to be able to state that 80 percent of these have been adopted in whole or in substantial part, either in the form of legislative action or by executive action.

The next significant development at the Federal level, in my judgment, was the establishment of the President's Council on Aging by Executive Order of President Kennedy in May 1962. The Secretary of Health, Education, and Welfare is the Chairman of this Council. Its membership also includes the Secretaries of Agriculture, Commerce, Labor, and Treasury, the Administrator of the Housing and Home Finance Agency, the Administrator of Veterans Affairs, and the Chairman of the Civil Service Commission. There had been earlier interagency committees and formal and informal coordination between departments and agencies, but the establishment of the President's Council on Aging brought new purpose and increased efforts. The President's charge to the Council was to maintain a review of Federal programs in aging and make recommendations to him, to assist in coordinating programs in aging, and to carry on information functions.

The 8 member organizations of the Council, along with the Railroad Retirement Board, the Small Business Administration, and the Department of Defense administer programs in the following areas: (1) income, (2) health, medical care and rehabilitation, (3) housing, (4) employment, (5) education and training, (6) social services.

Let us consider for a moment the Federal programs in the income area alone, taking account of direct money benefits, indirect money benefits, nonmoney benefits, and research. The Department of Agriculture's Food Stamp program has special significance for elderly low income persons in their own homes. The Surplus Food program makes distribution to nursing homes and homes for the aged. These activities of the Agricultural Marketing Service represent an important supplemental effort to meet the needs of the low income elderly. The Civil Service Commission makes payment to retirees, to survivors of employees, and to beneficiaries of the life insurance program. In the Department of Commerce, the Bureau of the Census carries on continuing surveys and statistical studies of income of the elderly. The Department of Defense administers benefit programs for the retired military personnel, including the disabled retirees. The Department of Health, Education, and Welfare conducts the program of Old-Age, Survivors, and Disability Insurance. Through cooperation with the States, it administers the public assistance programs, including both direct money payments for subsistence and vendor payments for medical care. In addition to the direct and indirect money benefits from these programs, there is an extensive

program of economic research carried on with special attention to the situation of older people. Certain programs of the Department of Labor have special significance to the older worker. These include unemployment compensation benefits, training allowances under the Manpower Development and Training Act, and research carried on by the Bureau of Labor Statistics. The Railroad Retirement Board administers the retirement program, disability retirement program, survivors' annuities program, and the programs of unemployment and sickness insurance. The Department of Treasury is the Federal action agency concerned with the special tax waivers for persons 65 and over that result in a savings of \$775 million annually. The variety of direct payment programs administered by the Veterans Administration includes survivor and disability benefits to veterans and certain dependents, and the life insurance program that provides a measure of security to millions of veterans. You will notice, then, that there are nine Departments and agencies administering programs of special significance to older people in the income maintenance area alone.

Now let us consider a second area to exemplify the extent of Federal action. In the area of health, medical care, and rehabilitation, the Department of Agriculture is active with nutritional research. The Civil Service Commission is responsible for the administration of the Federal Employee Health Benefits Act. The Department of Defense operates hospitals and medical care facilities for retired military personnel and dependents. Various arms of the Department of Health, Education, and Welfare are involved, so many in fact that the Office of Aging of the Welfare Administration has, among other activities, the functions of coordinating the different programs within the Department. The Public Health Service is concerned with research and construction of health facilities, nursing homes and hospitals, grants, training, direct services, technical assistance, and consultation. The Welfare Administration, through the Bureau of Family Services, administers the Medical Assistance for the Aging program (Kerr-Mills) and, through Federal grants-in-aid to States, provides vendor payments for medical care for recipients of public assistance. The Federal expenditures for these two programs are a substantial proportion of the nearly \$3 billion of Federal public assistance payments to the States. The Food and Drug Administration renders special service to older persons in its regulatory and enforcement activities relating to drugs and fraudulent devices. The Vocational Rehabilitation Administration has put special emphasis on rehabilitation of older workers. The Housing and Home Finance Agency renders Federal assistance in the form of mortgage insurance for proprietary nursing homes. The Small Business Administration makes loans to privately owned health facilities, such as hospitals, convalescent and nursing homes, and medical and dental laboratories. The Veterans Administration provides extensive direct services through the 170 hospitals and domiciliaries. It has special programs for medical and vocational rehabilitation for service-connected disability veterans, and carries on an intensive program in medical research.

I shall not continue to catalog the kinds of programs and activities in the other areas mentioned earlier. The preceding lists illustrate sufficiently a basic point that I wish to register today: There is no single department with exclusive responsibility or even a majority responsibility

for the conduct of Federal programs in aging. On the contrary, there are numerous Federal agencies, many of which have manifold programs and responsibilities in this field of action.

It logically follows from this situation that there is a need for close interagency communication and liaison leading to most effective coordination. This is the reason for being of the President's Council on Aging. It is important to note, however, that the Council is not a separate agency. It should be regarded more as a system or mechanism than an organizational unit. There is a separate staff for the Council that reports to the Chairman, Secretary Celebrezze, but the staff is very small and serves primarily as a secretariat. Our work at the Council is done through committee structure with the different agencies having representatives on the committees dealing with subjects of significance in their program areas.

At the present time, there are four principal committees: A Committee on Nursing homes, chaired by the Surgeon General of the Public Health Service; a Committee on Employment of Older Workers, chaired by the Secretary of Labor; a Committee on Housing, chaired by the Administrator of the Housing and Home Finance Agency; and a Committee on Welfare Services, chaired by the Commissioner of Welfare. These Committees report progress and recommendations to the regular monthly meetings of the Executive Committee of the Council. The cabinet members of the Council have each designated a representative to serve on the Executive Committee. The Chairman, Secretary Celebrezze, named as Deputy Chairman and Chairman of the Executive Committee the Commissioner of Welfare. It is in the Executive Committee that work schedules are planned, projects and activities are approved, and final formulation of recommendations for Council consideration takes place.

Let me interrupt at this point to refer again to what can be considered the principal landmarks in the development of Federal action for older people. First, was the enactment of the Social Security Act in August 1935. Following that, while there were many new individual programs and activities initiated in the period from 1950 until 1960, the next landmark is the White House Conference on Aging in January 1961. Then, I suggest, the next landmark is the establishment of the President's Council on Aging in May 1962.

The fourth landmark was the message to Congress Relative to the Elderly Citizens of Our Nation transmitted by President Kennedy on February 21 of this year. This was the first time that a complete program for aging had been submitted to Congress. The President's special message contained 36 points of action. The principal one was the request for hospital insurance under Social Security, but the other points of the message extended into all six of the areas that I previously described.

There were three direct action assignments to the Council on Aging. One of the assignments was to undertake a searching reappraisal of problems of employment opportunities for the aged and to report by October 31 on what action is desirable and necessary. The second was to study the problems of home financing for older citizens with special reference to the frequent need for modernization or rehabilitation of their homes. The third was a



2-pronged approach to the construction of, and provision of services in, group residents suitable for older people who need a central food service, some help in housekeeping and other helping services occasionally to continue living independently. The Housing and Home Finance Administrator and the Secretary of Health, Education, and Welfare, were requested to develop a plan jointly. The Council completed these tasks on schedule and Chairman Celebrezze delivered a 155-page report to President Kennedy on the morning of October 31.

This report is now under consideration by the White House and is not yet available for publication. Accordingly, I cannot discuss at this time the specific recommendations that it contained. I do feel free, however, to tell you about some of the problems that were identified and some of the ideas that were discussed.

The subject of the older worker has always been considered important in the field of aging. The subject of the older worker illustrates the reason why we in aging sometimes seem to be evasive when asked to identify who are the aging. In the income maintenance field, usually we are talking about persons 65 and over. The Federal Housing programs for the elderly have an eligibility age of 62. When the Department of Labor and the rest of us talk about older workers, we are talking about persons 45 and over. The Council's report on older workers is in the context of persons 45 and over with no ceiling age limit.

The problem of the older worker can be very simply stated. Once unemployed it is harder for him to get a job. His rate of unemployment is not unfavorable compared with the age group 25-45, but once unemployed, the extent of his unemployment is likely to be twice that of the younger group. A large part of this difficulty is likely to be the prejudices against him as an older person. The fact that on the average he has a lower educational attainment, the fact that his training is not so current and his need for retraining greater, and even the fact of less mobility enter the situation.

The Council's Committee on Employment dealt first with the need to expand employment opportunities. Discussions centered on strengthening the special services to older workers provided in the United States Employment Service. Studies have indicated that a quarter of the older worker applicants are in need of intensive counseling service in order to make sound choices of new occupations, to overcome lack of self-confidence, reluctance to enter training, and other obstacles, to prepare him for and find him new employment. At present the USES is able to give such services to only seven percent of the two million job applicants age 45 and over.

The Committee assessed the need for increasing the number of older worker specialists in the Employment Service. These specialists do not counsel individual applicants, but seek to create more opportunities in the labor market for them. They carry on public information programs and Employer Institutes to stimulate consideration of older workers. They participate in the establishment of self-help organizations of unemployed older workers to help find appropriate jobs for themselves and others. They endeavor to enlist community groups and volunteers to carry on promotional

activities in behalf of older workers. They participate in preretirement programs in cooperation with management and labor.

The Committee also took under consideration the growth of part-time employment in the labor market. While full-time employment rose by about 20 percent between 1949 and 1962, part-time employment rose by about 62 percent and is continuing to rise at a significant rate. About 11 million persons are now employed on a part-time basis, two-thirds of them because they prefer to work on this basis. The Committee has discussed the establishment of a part-time employment service as a regular program because of the special benefits that it would provide for older workers.

The need for relocation allowances in declining areas when plants shut down or industries move away was given consideration. Such relocation allowances have already been provided in the Trade Expansion Act of 1962. There has been legislation before Congress to provide additional demonstration projects to test procedures and results of a relocation program. The Committee underscored the need for expansion of training and educational opportunities for older workers. This can be done within existing programs, such as the Manpower Development and Training Act and the Area Redevelopment Act. There is need for better planning to avoid and ease the impact of lay-offs on the older worker. Much can be done if there is sufficient notice to find job opportunities for older workers in advance of major plant changes, including reassignment and retraining.

The Committee noted that 17 States now have laws prohibiting age discrimination in employment. Not all these States have active programs to implement these laws, but the 11 of them that do have such programs report significant results. There has been a decrease in discriminatory age specifications in job advertisements and job orders. Older workers are getting more interviews. There is general opinion that there has been a decrease in discrimination in actual hiring. On the other hand, in a survey conducted in May this year in eight cities in eight States which did not have laws prohibiting discrimination it was found that 45 percent of the job orders placed with the USES specified an upper age limit. States which have not yet done so, are encouraged to enact legislation prohibiting discrimination because of age. And States which have such legislation should provide adequate funds and staff for implementation of enforcement and educational campaigns.

The Council has made recommendations to the President regarding discrimination by Government contractors. In the Federal competitive service, itself, maximum age restrictions are prohibited by law. But at the present time, there is no restriction regarding the millions of jobs that are filled by Government contractors.

Other Topics which were discussed in the appraisal of problems of older workers and in the development of the report included the possible subsidization of public service employment, policies on severance pay, adoption of gradual retirement programs, measures to stimulate programs of preparation for retirement, expansion of opportunities for volunteer service, and



greater utilization of State and area manpower advisory committees to focus on problems of older workers.

The other sections of our report to the President dealt with housing, nursing homes, and welfare services. I shall take time here to suggest just a few of the topics treated in these sections.

The Housing Committee focused particularly on the problem of the elderly homeowner who has a substantial equity in his home but relatively low income. The Committee has reviewed a proposal which would permit him to sign a lien for part of the value of his home in order to have the frozen equity converted into a lifetime annuity payment. The proposal contemplates the provision of Federal insurance to stimulate insurance and annuity organizations to develop this program.

The Nursing Home Committee has undertaken a joint effort with the Council of State Governments looking toward the development of model licensure codes for nursing homes.

The Committee on Welfare Services has undertaken a project to take advantage of the data available in the Consumer Price Survey to develop yardsticks that would show levels of living according to levels of income. Based on actual expenditure patterns these yardsticks would show whether families at a given income level have actually spent for food what the United States Department of Agriculture low cost plan says is needed, for example, or whether their necessary expenditures for other basic requirements have prevented this. The description of different levels of living at different levels of income will facilitate budget planning and the determination of levels at which all basic requirements can be met. These yardsticks, or guidelines, will not substitute for the standard budgets. Most of you are familiar with the city workers' family budget and the elderly couples' budget developed some years back by the Bureau of Labor Statistics. These budgets are going to be revised and additional ones developed, but it will be several years before the necessary work can be carried through to completion.

The first national celebration of May as a special month honoring older Americans occurred in 1963, following a proclamation by President Kennedy. The Council recommends that May 1964 be set aside to highlight the significant place in America held by older people, and to stimulate public interest and concern in them.

I have touched on only parts of the current work of the Council. The work of the Federal agencies in strengthening existing programs and seeking solutions for unsolved problems will continue. This work will be guided by the four themes that we expressed in our first report to the President. The first theme, and the starting point of the report, was the individuality of each older American--each with his individual hopes, aspirations, and capacities. Of the 18 million persons 65 and over, there are no two alike. There is no single set of goals for all. There is no panacea for the troubles they may have.

The second theme is the importance of enabling older Americans to live in maximum independence. The basic drive of every human being to be independent in no way lessens and decreases with advanced age. Whether older people enjoy the degree of independence they desire depends partly on the role they play in the community, partly on the condition of their health, and partly on the adequacy of their income, housing, medical care, and other essentials.

The third theme is the importance, both to older Americans and to society, of their social and community participation rather than rejection and isolation because of age. This involves opportunities for citizenship activities, for creative activity and recreation, for participation in volunteer service programs, and for educational opportunities. Just on the last point alone, the average person at retirement has years ahead equivalent to the time necessary to go through elementary and secondary schools and a 4-year college period.

The fourth theme concerns the need for special assistance for older Americans who have become dependent, or who are otherwise at a disadvantage. Much as we consciously accent positive aspects of programs for the aging, we must realistically recognize that a portion of the older population will have suffered economic hardship or physical disability to a point that robs them of independence, that restricts their participation in their community, and that places a responsibility on society to give them the services and the help to which they are entitled.

I conclude with President's Kennedy's words:

Our national record in providing for our aged is a proud and hopeful one. But it can and must improve. We can continue to move forward by building needed Federal programs, by developing means for comprehensive action in our communities, and by doing all we can, as a nation and as individuals, to enable our senior citizens to achieve both a better standard of life and a more active, useful and meaningful role in a society that owes them much and can still learn from them.







UNITED STATES DEPARTMENT OF AGRICULTURE  
Office of Rural Areas Development

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AN ACTION PROGRAM FOR THE RURAL AGED

Talk by Don Hayworth  
Specialist in Aging  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 4:15 p.m., Wednesday, November 20, 1963

The Federal Council on Aging was established by President Eisenhower in 1956. Much of its activity centered around plans for the White House Conference on Aging of January 9-12, 1961. This ambitious undertaking provided the most important milestone thus far in the nation's developing field of gerontology.

In preparation for this conference thousands of meetings were held throughout the nation. Delegates sent by Governors and by organizations numbered two thousand five hundred, and included leading authorities on the subject. Thick volumes from the various states reported their activities and interests in aging. In many divisions of the field, such as in medicine and employment and housing, experts put together background papers that still provide valuable sources of basic information.

Soon after the White House Conference, President Kennedy established the President's Council on Aging. This provides a meeting ground for such departments and agencies as Health, Education and Welfare, Housing and Home Finance, Agriculture and Labor to prevent overlapping and to channel information about their various programs where it can be useful. It also keeps the President informed of administrative and legislation needs in aging.

Much has been done in this field by the Department of Agriculture. In almost every state Extension workers in Home Economics have been active over the years. Homemakers Clubs have been greatly interested in the study of aging. Many excellent publications have been issued by Extension agents. The Farmers Home Administration has made many loans and grants in the field of rural housing, with special consideration for those over 62. The Department has provided surplus foods for Senior Citizen centers. As a member of the President's Council on Aging the Department has been constantly in touch with the many developing federal programs, but until recently no one in the Department was charged with this as his chief responsibility.

Today the Department is prepared to give new and additional leadership. We can arrange for specialists to go into states and counties to help local staffs develop activity in the field of aging; we can encourage consideration of the subject by Extension leaders; we can pick up successful ideas in rural aging and circulate these ideas to other communities; we can coordinate national programs of aging as they relate to rural areas; we can stimulate those who are developing national programs in aging to keep rural areas in mind; we can provide leadership and encouragement through printed materials.



It is in behalf of this kind of program that I am coming before you today. Let me tell you what we hope will come about in rural areas as far as aging programs are concerned. We hope each county--although county lines might not always be followed--will have a group of leaders giving systematic attention to problems of aging. This group might be called a Council on Aging. We think of some fourteen separate programs, each of which might be developed by a committee, and covering such subjects as housing, nursing homes, providing part-time employment, and setting up a friendly visiting program.

Some people say families ought to take care of their own elderly. This is true. But this doesn't mean we should refuse to take care of our neighbor's elderly in case our help is needed.

It doesn't mean that the community's families should refuse to cooperate in problems of aging. We're suggesting they should cooperate. If a community doesn't have a decent nursing home--and there are many such communities--we think it makes sense for community leaders to get together and plan such a facility. People who don't think we should

have community activity of this kind are trying to shape our institutions by the facts of life as they were known in a previous age. There have been times in the history of man when generation after generation lived in the same area--almost like a forest growing out of decayed and fallen trees from whose very acorns the living trees once sprouted. But today children are likely to leave their home communities, and retired parents are often condemned to lives of loneliness.

Of the fourteen kinds of activities a community might undertake in problems of aging, one of the most **helpful** is housing. At first thought one might assume that a person either has his own home or goes to a nursing home. It's not that simple. Unfortunately, in many nursing homes in rural communities we find those who are intellectually and socially alert, thrust among those in the last stages of pitiable senility. We see people kept at great expense in hospitals when they could better be living in a foster home with a minimal amount of help.

We may classify seven different kinds of living arrangements for older people, beginning with the normal home situation in which the couple, or an individual is entirely self-sufficient. Then there's the group resident facility with a common dining room. Each individual or couple has a room or apartment, going and coming as they wish, but eating with the entire group. Then we have foster home care, with not more than three or four older people, and usually only one, living in a home

Committee Jobs in Rural Aging
Employment
Housing Needs
Volunteer Activity
Nursing Homes
Health
Referral Centers
Senior Clubs
Service Centers
Friendly Visiting
Transportation
Adult Education
Homemaking Services
Pre-Retirement Counseling
Attitudes Toward Aging

with another family--eating with them and taking part in normal family activities. Next there's a home for the aged, with house rules and limits on activities. This would include people who are, for the most part, self-sufficient, but are forgetful and generally dependent. Then there's the true nursing home for bedridden patients, and of course, there's the typical hospital for acute cases of a temporary nature. And last is the geriatric hospital for terminal cases.

Kinds of Living Situations for Older People
Normal, Self-sufficient Home
Group Residence (Common dining room)
Foster Home
Home for Aged (House rules & limits)
Nursing Home (Bed-ridden patients)
Hospital (Acute, temporary cases)
Geriatric Hospital (Terminal cases)

Now I submit that in every community, rural as well as metropolitan, there's need for each of these facilities. Certainly in each ten thousand of population, which ten thousand would include a thousand people over 65, there's need for at least one unit each of these seven kinds of living arrangements. Moreover, in every community are resources to provide such facilities. But how many communities have even half of these. You'll ordinarily find a general hospital and a nursing home, and that's all.

Not only do we need one each of the seven kinds of living arrangements, but we need some option in levels of living. A person with a substantial income should be able to buy superior service. So a community might well have a nursing home for those who are willing to pay four or five thousand dollars a year as well as for indigents. There, likewise, should be a group residence facility with the kind of atmosphere enjoyed by those with professional and intellectual backgrounds as well as residence facilities for those with more limited backgrounds.

We all want to approach retirement with some assurance we can live in dignity and security. But if there's no existent satisfactory facility we can do little about it. If, when people can no longer live satisfactorily in their own homes they have no choice but to go to a shabbily run nursing home, there's little they can do with their savings to make life more pleasant. They might, of course, go elsewhere in the state but moving to another community often presents difficulties and has little attraction.

It might seem fantastic to assume that an impoverished county could afford all these varied facilities for their elderly. But a shrewd and hardworking committee on housing can achieve these goals. In the first place they can get federal help in building many of these--all the way from an insured loan to a complete grant. Hill-Burton funds may be used for some of them; Farmers Home Administration, Community Facilities Administration, Housing and Home Finance Agency, Federal

Housing Administration, the Public Housing Administration offer help. If a Council on Aging sets up a committee on Housing, it can locate federal resources that will make such a program possible.

Of course, the community should provide its own significant contribution. The payments of individuals using these facilities will normally carry interest charges and eventually retire the debt.

Part of the job of organizing a successful program of this kind depends on alert sponsorship. Take the possibility of developing foster home care for the elderly. First of all homes need to be found that would like the added income and are equipped physically and socially to accept additional members of the household. Then those in need of this kind of situation must be appropriately paired with corresponding households.

The key to success in any community program in housing lies in the quality of local leadership. That's what Extension can help to furnish. You, as individual Extension workers, can't single-handedly develop housing programs in your individual counties, nor can you, as state leaders, throw this responsibility on County Home Economics Agents. What you can do, together with your County Agents, is to locate one or two dedicated individuals who will help you round up a group of leaders, so that the county will have an organization to do this kind of thing. Eventually they will take the lead, and you can be released to other points of usefulness.

Last, I want to point out a job which needs to be done, and which is basic to the whole problem of aging in this country, but which no one has undertaken to attack specifically, and that's to change the concept of aging. All our attitudes toward aging and aged people are the result of training. We pick up these attitudes from the society in which we live--just as we pick up attitudes toward other races, or as we learn social attitudes of honesty.

It may be of no help at this point to try to explain why the Chinese have long held their elders in such high respect. Or why we Americans, on the other hand, try so desperately to retain our youth. We all know it's rather silly but we've been taught to feel it's a great compliment to be told we appear ten years below our chronological age.

This worship of youthfulness has probably been developed to a higher point in America at this time than among any other people or in any other period of history. Old age is considered shameful. For this old age has but itself to blame. It was the older people themselves who taught the younger generation to hold this kind of attitude.

My proposal is that we do something about it. If I were to say we could solve this by appointing a committee I might be greeted with a derisive laugh. The development of a social attitude can't be legislated. It can't be blueprinted. It can't be bought. It's like the air around us. Forever there, forever powerful, but defying a manipulation.

On the other hand a committee can do something about it. I enjoy classic architecture--great buildings, magnificent columns, masses of marble, beautiful design. And the reason I do is that I had a good Latin teacher. The Latin book had impressive pictures of Roman buildings. She drew our attention to those buildings, and I thought how wonderful it would be if I could see them. So when I've been in Rome or Raleigh, North Carolina, in Ankor Wat, Cambodia or Burlington, Vermont I enjoy walking around buildings I admire. My wife doesn't understand how I can spend so much time in a cathedral. The explanation is that I had a Latin teacher who planted an attitude.

If several times during a child's experience in grade school he hears pointed observations as to the value of older people's good judgment and the respect we should have for their experience, if in high school the social science teacher develops thoughtful discussion of potential contributions provided by older people as well as the respect they deserve, with some students this might very well sink home.

Supplement this with occasional articles and editorials in the county newspaper, plus discussions over local television. You see I'm getting around to the idea that a committee might manipulate these molders of public opinion. This same committee could go to the local ministers and suggest that sermons be preached--trying to set forth sensible attitudes toward aging. The woman's club might give over a program to this consideration--or the Kiwanis Club. And the Homemakers Clubs, as many of them already have, could take up the subject.

Of course, the odds are against us--what with national television and magazines, books and radio, in constant praise of youth and oblique disparagement of age--but the success of propaganda isn't always determined by the loudest voice. Given half a chance the socially honest answer likewise has great persuasiveness.

I hope you agree with me that a committee on Housing for the Elderly and a Committee for Changing the Concept of Aging have worthy functions to perform in the states and communities you represent. You surely can verify the need for these out of your own experience--your own families, the older people you know, and the neighborhoods in which you live.

If you do agree with me, I further hope you'll agree that there should be established in counties a Council on Aging to set up these two committees I've mentioned as well as the other twelve kinds of committees that fall within the province of such a Council.

If you do so agree, you as community leaders and as leaders of community leaders may be able to find ways of weaving this into your activities, to the end that we can spread wherever Extension goes--and that's all of rural America--a program of practical helpfulness for older Americans. Not that we want merely to do our missionary work for the pitifully helpless, but that while we're working, and while we have the strength to build, we create for our own future selves a kind

of environment that will be continually fruitful and enjoyable. For you to do what you can today for the security of others is the soundest kind of insurance you can take out for yourselves.

I'm only one awkward, new recruit in this awe-inspiring, far-reaching Department of Agriculture which perhaps has done more to change the life of rural people than any other single institution in the history of man.

As only one person I can make no significant contribution except thru you and other Extension workers. It's my hope that you'll accept this challenge and that the boys and girls with whom you work today will have a more pleasant and more meaningful old age ~~than~~ have most of their grand parents today.







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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

SUPPLIES AND PRICES OF CLOTHING

Talk by Virginia Britton  
Consumer and Food Economics Research Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D.C., 9:30 A.M., Thursday, November 21, 1963

Clothing consumption, prices, and supplies are overall about the same this year as last year: Per capita expenditure for clothing has changed little; consumer prices and wholesale prices for apparel are at about the same level; and supplies of clothing and raw materials are high. At the same time, noteworthy changes are occurring in clothing as research and development continue apace toward improving the end use properties of materials.

Clothing Consumption

Aggregate expenditure for clothing and shoes in the United States continued to climb in 1962, but increases in the population and in prices meant that there was little change in the real value (in constant dollars) of clothing purchased per person, based on the Department of Commerce figures. <sup>1/</sup> In fact, from 1955 to 1962 there was a difference of only 4 percent between the highest and lowest average annual value per person. A year ago when we gave special attention to long-run trends in clothing expenditures, we found that expenditure per person in dollars of constant value fluctuated within a narrow range (about 12 percent) from 1941 to 1961, and that the 1929 figure was also within this range.

Clothing and shoes took about 8 percent of disposable personal income in 1962, as they did in the past 6 years. Last year we noted that a number of things operated to reduce the proportion spent for clothing from 13 percent of income in constant dollars in 1929 to 11 percent in 1940-41 and to 8 percent in 1956. Among these were increased real income per person, increased competition of other goods and services, changing composition of the population, economies resulting from the shift from cotton and wool to manmade fibers, today's casual mode of dressing, and changes in the relation of clothing prices and other prices.

Another type of information on clothing consumption is provided by surveys of family expenditures. We are looking forward to the detailed reports on the large scale, nationwide Consumer Expenditure Survey of 1960-61 made by the Bureau of Labor Statistics and the Department of Agriculture. In the meantime, we are fortunate to have a preliminary summary of data from the BLS survey of urban expenditures in 1960 compared with their 1950 survey. The trends in family clothing expenditures shown by the surveys are similar to those shown by the aggregate figures just discussed: The surveys indicated that the urban family <sup>2/</sup> spent for clothing, materials, and services an average of \$549 in 1960 compared with \$437 in 1950--an increase of 11 percent in constant dollars. <sup>3/</sup> The increase in real

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<sup>1/</sup> For national aggregates, see U.S. Department of Commerce, Survey of Current Business, July 1963.

<sup>2/</sup> Includes single consumers.

<sup>3/</sup> See Arnold Chase, Changing Patterns of Consumer Expenditures, 1950-1960, Bureau of Labor Statistics, September 1963, processed paper, 14 pp.

income, however, was greater than this. Consequently, the share of income taken by clothing decreased. Families chose to put more of the increase in income into savings, gifts and contributions, and into spending on their homes and autos than into clothing. The relevant preliminary data may be summarized as follows:

	<u>1950</u>	<u>1960</u>	<u>Percent increase</u>
Current dollars:			
Money income after taxes .....	3,910	5,822	48.9
Clothing, materials, and services ...	437	549	25.6
Clothing as percent of income .....	11.2	9.4	--
1960 dollars:			
Money income after taxes .....	4,829	5,822	20.6
Clothing, materials, and services ...	494	549	11.1
Clothing as percent of income .....	10.2	9.4	--

Another source of information on clothing expenditures is the current judgment of retailers. Trade reports <sup>4/</sup> this fall are that clothing is selling well, with a general upgrading of purchases: Higher-priced lines in women's and men's clothing, stylish imports including Italian ready-to-wear clothes, high-fashion items such as fake fur and metallic fabrics in women's apparel, an emphasis on "dressing up" for occasions, and the "sportive" look in sportswear.

#### Consumer Prices

There has been almost no change in the level of prices of clothing over the past year as measured by the Apparel Index of the Bureau of Labor Statistics. (See table 1 at the back of paper.) From September 1962 to September 1963, this index rose only 0.2 percent. In the same period the Consumer Price Index for all items rose 0.9 percent. In 1960 and 1961 also the Apparel Index rose less than the all-items index.

Price movements among the apparel subgroups are usually not parallel and the past year has been no exception in this respect. The index for women's and girls' apparel fell 1 percent from September 1962 to September 1963, while the indexes for men's and boys' apparel and for footwear increased 1 percent. These changes are in line with price movements in recent years. Since 1960, either men's and boys' apparel or footwear has led the price increase.

Clothing can also be grouped by fiber as well as by type. Grouping by fiber explains some of the movement in the type groups. Over the last 12 months for which prices are available as of this writing (June 1962 to June 1963 for cotton and manmade fibers and December 1961 to December 1962 for wool), cotton apparel rose 1.0 percent, apparel of manmade fibers rose 0.4 percent, and wool apparel declined 0.4 percent. Among these subgroups, cotton apparel led the price advance in 1962 and wool apparel led in 1961.

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<sup>4/</sup> Trade sources include The Wall Street Journal, Textile Organon, and Chemistry and the Home.

### Seasonal patterns

Prices of clothing are subject to some seasonal fluctuations--changes which recur regularly at certain times of the year. A recent study by BLS makes an important contribution to our knowledge of this subject by putting into numerical terms the size of these seasonal fluctuations in price series for apparel and apparel subgroups as well as for about 85 other consumer price series. 5/

Among the four apparel subgroups, the seasonal fluctuation of retail prices is greatest for women's and girls' apparel. In fact, fluctuation in this subgroup plays a primary role in the seasonal variation of the all-apparel group. In the seasonal pattern for women's and girls' apparel, the year's low point is in January and there is a spring peak in March, followed by a downward drift through the summer. Prices start to climb in September to the year's peak in October, then there is a downward slide. Men's and boys' apparel and "other apparel" also show a tendency to rise to a fall peak. Footwear, on the other hand, shows no meaningful seasonal pattern. Because of the differences among the four subgroups, seasonal fluctuation in prices of all apparel is only about half as great as that for women's and girls' apparel.

The amount of variation in the apparel indexes attributable to seasonal fluctuations can be deduced from the chart at the back of the paper. The unadjusted and the seasonally adjusted indexes for women's and girls' apparel show the greatest divergences since seasonal fluctuations are greatest for this group. There are also noticeable differences between the two indexes for all apparel, but small differences between the two indexes for men's and boys' apparel and for other apparel.

Seasonal fluctuations are important in only two of the other seven major categories of expenditure--food and transportation. Because there are offsetting seasonal fluctuations in the major categories, the all-items index of the Consumer Price Index shows no important seasonal pattern.

### Developments in Retail Distribution of Apparel

While we are thinking about the retail level, we might note some recent developments in retail distribution of apparel. Reports in trade sources indicate that retailers feel they need to build up present stores, especially those in downtown areas, rather than open new stores. Some increase in downtown shoe sales was noted last winter as stores focused their appeal on city dwellers rather than suburbanites in metropolitan areas. The development of shopping centers is beginning to lag after more than a decade of growth. Some areas seem to be "overstored." Branch store openings by retail chains have tapered off this year. One survey last winter showed that almost two-thirds of branch stores opened recently were performing below expectations.

Action by the Federal Trade Commission in March may have important implications for the future: The FTC ruled that a large shoe company illegally restrained competition by requiring independent franchised dealers to adhere to the company's established resale prices and to refuse to handle competing shoes from other manufacturers. The FTC ordered the company to discontinue these practices.

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5/ See U.S. Department of Labor, Seasonal Factors--Consumer Price Index: Selected Series, June 1953-May 1961, Bulletin No. 1366, 1963, 47 pp.

## Wholesale Prices of Clothing and Household Textiles

Overall wholesale prices of apparel and footwear have changed little in the past year. This leads us to expect little change in the general level of retail prices in the immediate future, although there may be changes in certain categories.

Wholesale prices of apparel as a whole rose less than 1 percent in the 12 months ending with September 1963. (See table 2.) The largest changes were in wholesale prices of men's and boys' apparel, which increased 2.6 percent, and in hosiery prices, which declined 3.1 percent.

In the household textiles field, there were diverse movements. Wholesale prices of wool and part wool blankets increased almost 4 percent, while cotton housefurnishings fell almost 2 percent.

Wholesale prices of all footwear went down fractionally over the year. Change in the individual categories of footwear were slight.

## Prices and Supplies of Fabrics and Raw Materials

Going back to earlier stages in the process of providing the consumer with apparel and footwear may give a clue to future changes in wholesale and retail prices of some items of clothing. However, in interpreting these changes it must be borne in mind that wholesale prices of raw materials generally fluctuate more rapidly than do retail prices. Moreover, costs of raw materials are only one factor in retail prices of clothing. On top of raw materials are manufacturing costs, wholesaling costs, and retailing costs. For instance, the cost of raw cotton and raw wool accounts for approximately 15 percent of the retail value of cotton and wool apparel and household goods. 6/ Hides and skins account for less than 4 percent of the retail value of leather products. 7/

In following clothing back, behind the finished garment is the woven or knit material from which it is made. In the past year (September 1962 to September 1963) there was a 1 percent decrease in the wholesale price of broadwoven goods of cotton, the most important fiber in clothing supplies. Silk products, relatively unimportant in the total picture, increased 4 percent. Others either stayed the same or decreased. In the latter group are knit goods of manmade fibers (down 5 percent) and leather (down 7 percent).

Behind the woven or knit goods are the yarns. From September 1962 to September 1963, wholesale prices of cotton yarns declined almost 2 percent, manmade filament yarns and fibers and spun rayon advanced fractionally, and wool yarns advanced almost 3 percent.

Going back to raw materials, we find that prices of raw cotton are the same as a year ago, but domestic raw apparel wool is 5 percent higher, and foreign raw apparel wool is 11 percent higher. Raw silk is up 8 percent, and hides and skins are down 30 percent.

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6/ L. D. Howell, Changes in American Textile Industry, U.S. Department of Agriculture, Technical Bulletin No. 1210, 1959, pp. 19, 24, and 25.

7/ John W. Thompson, "Some Economic Considerations for the Hide and Leather Industry," U.S. Department of Agriculture, processed paper, 1963, p. 1; and Livestock and Meat Situation, USDA, October 1963, pp. 21-22.



Supplies of cotton and manmade fibers are good. U.S. production of cotton in 1963 is estimated at almost 15 million bales, which is about one million bales more than domestic mill use and exports are expected to require. <sup>8/</sup> Production of man-made fibers, including textile glass fibers, increased 22 percent in 1962 over 1961, the largest one-year increase on record. Further increases are ahead as the Celanese Corporation plans to start producing nylon in the U.S. in 1964. World wool production in 1963-64 is expected to be 1 percent above last year's record high level, but U.S. mill use of apparel wool in 1963 is expected to be about 9 percent lower than last year. <sup>9/</sup> U.S. production of cattle hides in 1963 is expected to be the largest ever at a time of decreased production of leather shoes.

#### Outlook

Considering wholesale prices, prospective supplies and demand for raw materials, and the competition among them, there appears no strong reason to expect much further change in the near future in overall retail prices of apparel. The active competition in the development and promotion of fabrics and finishes also plays a part in this prognostication. Some recent developments might be noted:

Further improvements in cotton garments are emerging. All-cotton stretch fabrics made into garments provide increased comfort and are being used in such articles as nurses' uniforms, blouses, sport and dress shirts, pants and slacks, corduroy garments and socks. A wash-wear treated interliner bonded to outer layers of untreated cotton in collars and cuffs of men's wash-wear shirts may result in longer service life, according to USDA research. The bonded interliner shares its wash-wear properties with the untreated cotton; and the untreated fabric offers the high resistance to fraying associated with cotton. A method for imparting wash-wear properties and at the same time permanently attaching dyes, starch, and other finishing materials to cotton in a single chemical treatment has been developed by the Southern Utilization Research and Development Division of the Agricultural Research Service.

Improvements are underway for woolen apparel and household textiles. Stretch wool fabrics are being used to provide additional comfort and better shape retention in men's suits, slacks, and jackets. Wool sweaters and blankets that can be washed by machine are appearing on the market, as are permanently pleated wool skirts and permanently creased slacks and trousers. These easy-care properties are obtained by using treatments developed by the Western Utilization Research Division and by others. The USDA shrinkproofing treatment covers wool fibers with an ultra-thin coating that is chemically similar to one type of nylon. Treated wool fabrics wash with an acceptable minimum of shrinkage and retain wool's natural soft texture. This process is being used on children's clothes, skirts, and sport shirts. Suiting fabrics are just beginning to come on the market that are processed mostly by the USDA Wurlanize process. The solution used for permanent creases is applied by spraying or dipping, after which the damp fabric is steam pressed. Fabrics that have received both treatments are machine washable.

Developments are continuing in manmade fibers and fabrics. Spandex fibers that have been used in foundation garments and swimsuits are now being introduced for use in stockings for women who suffer from leg fatigue. New forms and new uses are

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<sup>8/</sup> U.S. Department of Agriculture, Agricultural Situation, September 1963, p. 4.

<sup>9/</sup> Ibid., p. 5.



appearing for nylon. Stretch is being added to slacks and beach wear by one form of nylon that is coiled like a spring. Fluffy texturized nylon yarns are used in sweaters. Nylon fibers with a softer feel are going into women's dresses. A type of nylon that can be molded cheaply into permanent shapes is decreasing prices of high-quality brassieres.

Nonwoven fabrics that combine the materials and production techniques of the textile and paper industries are offered for disposable bed sheets and pillowcases for hospitals. They are said to cost less than the price of laundering those made of cotton. They may be developed eventually for consumer markets.

News of a fluorine-based textile finish is worth noting. It is claimed to provide oil and water repellency and stain resistance (and to retain these properties after washing and dry cleaning) without affecting the appearance or breathability of the fabric, since the finish clings to each fiber in the fabric. It is to be used first in men's and women's top-quality raincoats and outerwear, draperies, and slip covers.

Fabric shoes with plastic soles molded onto the finished uppers at a savings over the old vulcanizing method are appearing in national chain stores. A new synthetic leather, said to be a breathable shoe material, is expected to appear in men's and women's shoes in the spring of 1964. Similar synthetic products are being developed by some 20 other companies.

From the consumer's point of view, it looks like a good year ahead in the clothing area, with large supplies to meet the heavy demand, high competition among fibers, new products becoming available, and continued improvements in familiar products.

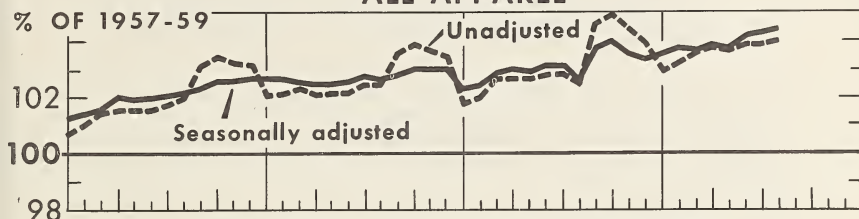
Table 1.--Percentage increase in selected indexes of consumer prices

Index	1960 to 1961	1961 to 1962	September 1962 to September 1963
Consumer Price Index .....	1.1	1.2	0.9
Apparel Index .....	.7	.4	.2
By type:			
Mens and boys' apparel .....	1.2	.5	1.2
Women's and girls' apparel ..	.3	-.1	-1.1
Footwear .....	.9	1.4	1.1
Other apparel .....	-.4	-.3	.2
			June 1962 to June 1963
By fiber:			
Cotton apparel .....	.5	.7	1.0
Wool apparel .....	1.1	.2	--
Manmade fibers apparel .....	.2	.1	.4

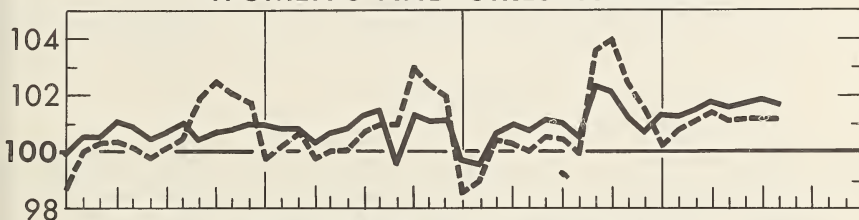
Source: Bureau of Labor Statistics.

# CONSUMER PRICES FOR APPAREL

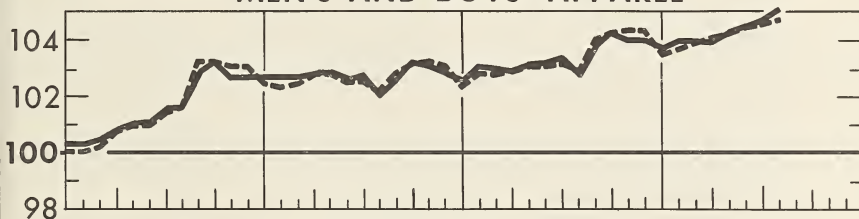
## ALL APPAREL



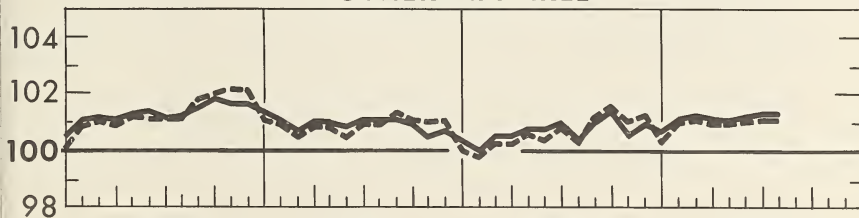
## WOMEN'S AND GIRLS' APPAREL



## MEN'S AND BOYS' APPAREL



## OTHER APPAREL



1960

1961

1962

1963

BLS DATA.

Table 2.--Percentage increase in selected wholesale price indexes

Index	September 1962 to September 1963
Apparel .....	.7
Men's and boys' apparel .....	2.6
Women's, misses', and juniors' apparel .....	.1
Infants' and children's apparel .....	0
Hosiery .....	-3.1
Underwear and nightwear .....	1.0
Knit outerwear .....	.2
Textile housefurnishings:	
Wool and part wool blankets .....	3.9
Cotton housefurnishings .....	-1.8
Footwear .....	-.4
Men's and boys' footwear .....	-.4
Women's and misses' footwear .....	-.5
Children's and infants' footwear .....	0
Cotton fibers and fabrics:	
Raw cotton .....	0
Yarns .....	-1.6
Broadwoven goods .....	-1.0
Manmade fibers and fabrics:	
Filament yarns and fibers .....	.5
Spun rayon .....	.8
Broadwoven goods .....	.3
Knit goods .....	-4.9
Wool fibers and fabrics:	
Domestic apparel wool .....	5.4
Foreign apparel wool .....	11.3
Yarns .....	2.6
Broadwoven fabrics .....	.4
Knit outerwear fabrics .....	0
Silk fibers and fabrics:	
Raw silk .....	7.6
Silk products .....	3.9
Hides, skins, leather:	
Hides and skins .....	-30.2
Leather .....	-6.7

Source: Bureau of Labor Statistics.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

TRANSPORTATION

Talk by Lucile F. Mork  
Consumer and Food Economics Research Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D.C., 10:15 A.M., Thursday, November 21, 1963

Some form of transportation is a daily necessity for most families. Transportation takes different forms for different families. For some it means catching the bus or train each morning to get to work or school, to others it means taking a plane or train for a business trip or vacation, but to most it means driving the family car for all these occasions. Because transportation is such an important part of our daily living, we have decided to bring together what facts we could on this item. In this paper, I shall summarize the current situation, the trends in the last decade, and the outlook for next year in so far as we have indications of family expenditures for various transportation items, retail prices, installment credit, production and sales of automobiles.

Expenditures

Expenditures for transportation are of two types: the purchase and operation of automobiles and expenditures for public transportation. Both have increased during the last decade. Part of the increase is due to higher prices, but increased ownership and use of automobiles are also important reasons for greater per person expenditures.

The Department of Commerce estimates of spending of U.S. consumers for all transportation show that we spent 10 percent more per person in 1962 than in 1961, and 47 percent more than in 1952. The 10 percent increase between 1961 and 1962 was a sizable increase for 1 year.

During this period, spending for all transportation amounted to about 12 percent of total expenditures for consumer goods and services. Purchase and operation of automobiles accounted for about 11 percent and public transportation about 1 percent.

Between 1961 and 1962, expenditures for the purchase and operation of automobiles increased more than public transportation. On a per person basis, expenditures for new cars and net purchases of used cars increased about 20 percent. Tires, tubes, accessories and parts, and insurance increased about 9 percent; repairs, greasing, washing, and so on about 4 percent; gasoline and oil about 2 percent.

During this same time, expenditures for local transportation (street cars, buses, and taxis) decreased slightly, but intercity transportation increased 7 percent because of increased spending for bus and airplane travel.

Automobile Ownership and Use

Ownership

The present high rate of automobile ownership is without doubt an important factor in accounting for the fact that we spend more than \$1 out of every \$10 for the purchase and operation of the automobile. About 4 out of 5 households have a

car available for their use, according to the 1960 Census of Housing. Motor-vehicle registrations for privately owned passenger cars have more than doubled in the post-war period and increased about 50 percent in the last 10 years. 1/

This increase in automobile ownership has meant many changes in our way of living. The automobile has made us more mobile, and made possible relocation away from concentrated population areas. We have learned that we can live quite a distance from work--out in the suburban areas or in the open country--and continue to work in town. Sixty-four percent of workers use private automobiles to get to work. 2/ At the same time, employers have learned that they can relocate offices and industries in areas where land is less expensive or environment more desirable. As a result of this increased mobility, housing developments, schools, churches, and shopping centers have mushroomed in outlying areas. In many of the new areas, public transportation is limited, if provided at all. This has increased our dependence on the automobile and given us the multicar family.

The second car has become the accepted standard in many households. In 1960, about one-fifth of all households had two cars. 3/ To have two cars was most unusual 25 years ago. Largely responsible for this, of course, has been the increase in average family income which has enabled us to buy automobiles. For some, higher income has made possible a "fleet of cars." The 1960 Census of Housing showed that about one and one-third million households had three cars or more.

The size and condition of car that families buy for their second or third car also influences the amount spent. The second car is not necessarily a small car or a used car, as one might tend to think. Some families prefer to have a new standard-size car judging from observations. This preference adds to the original expenditure. Having more than one car to operate means spending more for licenses, taxes, and depreciation. With a second car, a family probably drives more miles. This means spending more for gas and oil, repairs, and tires.

#### Leisure-time use

The increased use of the automobile for recreational purposes has been a contributing factor to the amount spent. Automobile riding for sightseeing and relaxation leads in outdoor recreation activities, according to the recent report to the Outdoor Recreation Resources Review Commission. 4/ In this report, the families also were asked about their vacation and weekend travel. The majority reported they used their car for vacations. About half of the families who went on vacation traveled 500 miles or more from home. Park visits rate high with vacationers, especially young couples and families with children. In 1962, more than 32 million people visited national parks compared with 22 million in 1958. The Department of Interior estimates that more than 95 percent of all visitors to national parks arrive by automobiles.

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1/ U.S. Bureau of Public Roads as cited by Automobile Manufacturers Association, Automobile Facts and Figures, 1963 Edition.

2/ U.S. Bureau of the Census, 1960 Census of Population, PC(1)1C.

3/ U.S. Bureau of the Census, 1960 Census of Housing.

4/ Outdoor Recreation Resources Review Commission, Participation in Outdoor Recreation: Factors Affecting Demand Among American Adults, Report No. 20, 1962.



## Prices

Prices for all transportation as given in the transportation component of the Consumer Price Index increased only fractionally (0.1 percent) last year (September to September), but 20 percent in the previous 10 years (1952 to 1962). The Consumer Price Index for all items increased nine-tenths of 1 percent last year and 14 percent in the previous 10 years. (See table 1.)

Table 1.--Changes in consumer price indexes for all items and transportation for specified periods

Group and subgroup	1952 to 1962	September 1962 to September 1963
	<u>Percent</u>	<u>Percent</u>
All items .....	14	0.9
Transportation .....	20	.1
Private .....	15	-.2
Public .....	52	1.2

Source: Bureau of Labor Statistics.

The fractional increase last year in transportation prices was due to a 1.2 percent increase in public transportation fares. Private transportation which is the cost of purchase and operation of automobiles decreased two-tenths of 1 percent. During the previous 10 years, private transportation increased 15 percent and public transportation increased 52 percent. (See chart 1.)

Prices of the various goods and services included in the transportation category have not moved at the same rate or in the same direction during the past year (June to June). Used car prices increased (0.5 percent) while new cars declined (0.3 percent), gasoline prices fell (1.1 percent), repairs increased (1.1 percent), and tires increased (3.7 percent).

Between 1952 and 1962, new car prices increased about 10 percent, after adjusting for changes in quality during the period. (See chart 2.) Since more and more cars are equipped with such features as automatic transmission and power steering, the average price paid has, of course, increased more than this. New car prices went down in the early part of this 10-year period then gradually went up until 1959 when output and sales of passenger cars drifted down. <sup>5/</sup> Retail prices in 1960 were somewhat lower than in 1959. Prices in 1961 and 1962 were similar to those in 1960. Used car prices have fluctuated considerably in response to the tempo of the economy and reached a high in 1962. The easing of credit and the increasing number of families wanting more than one car are probably largely responsible for the current high prices of used cars.



Operating costs of automobiles also increased between 1952 and 1962. Price increases ranged from 21 percent for gasoline to 42 percent for insurance. (See chart 3.) Tires were the only item in the automotive group of the index that went down in price. Prices on tires fell about 7 percent.

The greatest price advance between 1952 and 1962--60 percent--was in the cost of local transit fares. Railroad fares also increased, but to a much lesser degree. With such a sizable increase in local transit fares, the decline in use of local transportation is even greater than indicated by expenditures. About half as many paying passengers used local transit lines in 1962 as in 1950. 6/

#### Installment Credit

Automobile credit has played an important part in the increase in ownership of automobiles during the last 10 years. The average installment debt outstanding per person on automobiles was \$49 in 1952 and \$103 in 1962. (See table 2 and chart 4.) During this same period, total installment debt outstanding was \$122 in 1952 and \$257 in 1962. Automobile credit accounted for about 40 percent of all installment debt in 1952 and 1962. This does not include loans from banks or credit unions to individuals for the purchase of automobiles.

The proportion of new passenger cars bought on credit has remained almost unchanged since 1960. About 60 percent of new passenger cars bought were bought on credit in each of the last 3 years. More car purchases, plus a moderate increase in the average size of installment contracts account for most of the increase in automobile credit in 1962 and 1963. 7/ Contracts on new cars were running about 2 percent larger in early 1963 than in early 1962 and 6 percent higher than in early 1961.

List prices of new cars changed very little in the 1962 and 1963 model years, after allowing for differences in standard equipment. Consumers, however, bought more equipment--power steering and brakes--and more expensive body styles. The average size of installment contracts may have been increased also by a slight reduction in downpayments.

The chances of getting a 36-month loan to buy a new car are better than a year ago. The average repayment period for new-car installment contracts has been gradually increasing. A larger proportion of contracts are being written at the prevailing maximum maturity of 36 months than previously.

Instances in which automobile dealers and lenders have offered 42-month, and occasionally 48-month loans on new cars have been publicized. The 36-month maximum is still believed to be observed by the great majority of dealers and lenders. The 36-month maximum maturity has prevailed generally since 1954-55. Previously the maximum maturity was 30-months. On used car contracts, the repayment period has also been lengthening. The proportion with maturities of over 24 months has been increasing for several years. Many late-model used cars have been carrying 36-month maturities recently.

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6/ American Transit Association as cited by Housing and Home Finance Agency. Housing Statistics. Annual data. Table A-72, p. 60, May 1963.

7/ Federal Reserve Bulletin, pp. 582-583, May 1963.

Table 2.--Installment debt outstanding,  
per person; 1952-62

End of year	Total	Automobile paper	All other <u>1/</u>
	Dollars	Dollars	Dollars
1952 .....	122	49	74
1953 .....	143	61	82
1954 .....	144	60	84
1955 .....	173	81	93
1956 .....	187	85	102
1957 .....	196	89	107
1958 .....	192	81	111
1959 .....	219	92	127
1960 .....	235	97	138
1961 .....	235	93	142
1962 .....	257	103	153

Note: Detail may not add to total because of rounding.

1/ Includes other consumer goods paper, repair and modernization loans, and personal loans.

Federal Reserve Board data.

The recent extension in credit time for both new and used cars may be attributed to some extent to the extended guarantees now given by all major manufacturers. In one case, a manufacturer issues a guarantee covering the major components of the car for 5 years or 50,000 miles whichever occurs first.

#### Production and Sales

Automobile production is an important factor in our economy. Many industries and activities are affected, such as suppliers of materials, and distribution, transportation, and services related to automobiles. A lot of cotton, for example, goes into cars, according to a study made by the Statistical Reporting Service, USDA. More than half of the materials that lined and padded the inside of passenger automobiles in 1961 were made of cotton.

The 1963 model automobile, which began appearing on the market last fall, found immediate acceptance by consumers. Although factory sales of new domestic passenger cars earlier in 1962 had been high, fourth quarter deliveries were higher than in previous years and the year ended with 6.9 million sales. 8/ The previous high year

8/ U.S. Department of Commerce. Survey of Current Business.

was in 1955. Sales for the first 7 months of 1963 were about 12 percent ahead of sales for the same period last year. Predictions are being made in industry that this will be a record breaking year.

Imported cars are staging somewhat of a comeback after a 3-year downward slide. Imports reached a peak in 1959 when a record number were sold. Since that time, the number sold has decreased. Imports for the first 7 months of this year were ahead of last year for the same period.

Imported cars have at last found their place, some authorities say. It is based principally on two types of cars U.S. manufacturers do not build--small cars in the \$1,400-to-\$1,700 price range, and European sports cars. 9/ Consumers do not buy a foreign car merely because it is cheap. They want comfort and good reliable service as well as a bargain. Automatic transmissions (at least one the pushbutton type) are being offered even in the very small cars.

#### Rent or Buy?

Automobiles in rental and lease service are on the increase. Some families have found it to their advantage to rent or lease a car when they need one rather than to buy. Families living in cities with good public transportation available for daily commuting can sometimes save money by renting a car for vacations and weekend travel. Families living in suburbs who need a second car might find renting a car a day or two a week a wise solution to their problem.

To determine if renting or leasing pays, it is necessary to know the costs of owning. There are certain fixed ownership expenses, such as insurance, registration, and depreciation. One way to determine the depreciation on a car is to watch the newspapers and see what dealers are asking for used automobiles of the same make and model. If a family plans to keep a car 5 years and a 5-year old model is bringing \$500 and the price for a new car is \$2,500, subtract the \$500 from the \$2,500, which gives \$2,000, or the depreciation for 5 years. Divide the \$2,000 by 5 to obtain the depreciation for 1 year. Add taxes and insurance, then the operating costs for gas, oil, tires, and maintenance. The operating costs vary with the size and age of the car, but generally are between 3 and 5 cents a mile.

Rental rates are based on length of time the car is rented plus a mileage fee. "Renting" is usually applied to use by the hour, day, week, or month. For a standard-size car, two local nationwide firms charge \$1.50 an hour or \$10 a day, plus 10 cents a mile; and \$50 a week, plus 10 cents a mile. These rates include the cost of gas, oil, and maintenance, which is refunded. On a monthly basis, the charge quoted by one firm was \$175 and by the second \$200, plus 5 cents a mile. This does not include the cost of gas and oil.

Cut-rate companies exist in some areas. Their prices run considerably less on a daily basis (in some cases about half as much), plus a mileage fee varying in amount depending upon who buys the gas. The main difference between these companies and the large nationwide companies is that they do not offer as many conveniences.

All the rates include some insurance with additional insurance available at extra cost.

The charge for a standard-size car on a long-term (24 month) lease starts at about \$110 a month, not including gas. (This is a local estimate.) According to the opinion of experts, in general, if a car is driven more than 20,000 miles over the year, a long-term lease is more economical than owning, but if a car is driven less than 20,000 miles over the year, it is more economical to buy.

Rented cars are usually new cars, whereas if a family owns they will probably be driving an older car part of the time.

### Outlook

The prices of 1964 models of automobiles which were recently introduced are generally the same as for comparable 1963 models. This is in spite of price increases in labor and some basic materials that go into a car. Automobile companies point out that steel costs are up (adding an estimated \$20 to \$25 to the manufacturer's cost of each car), the costs of tires are up, and labor rates are expected to go up. We may find prices raised on a few models and a few accessories. White-walled tires may go up a dollar or two, according to trade sources. Some permanent types of antifreeze are expected to be priced lower than a year ago. Competition between nationally advertised and private brands is the reason behind the price reduction.

According to estimates of the U.S. Bureau of the Census, in July of this year, consumers reported they expect to purchase more automobiles in the next 12 months than they did a year ago. 10/ The estimates showed a higher level of anticipated new automobile purchases than that reached in any previous July survey in this series (1959-63). Intentions to buy used automobiles in the next 12 months were about the same as in July 1962.

Indications point to an increase in the number of families with two or more cars. In 1964, we will have a new group of 16-year olds qualifying as drivers in many States. Some of these new drivers will work hard to convince their families that it is a good idea to have a second car. In some cases, two-car families will become three-car families.

Two main changes in the 1964 model automobiles: They are longer and flossier than the 1963 models. More models carry adjustable steering wheels, air-conditioning, and transistorized ignition systems that improve engine operations as motors get bigger and operate at faster speeds. Front seat belts will become standard equipment beginning January 1, 1964. Otherwise, differences are not too great.

Conclusion: Transportation will maintain its position of relative importance in the family budget; supply of automobiles will be ample to meet family needs; prices will remain at about the same levels.

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10/ U.S. Bureau of the Census, Current Population Reports, Series P-65, No. 3, August 1963.



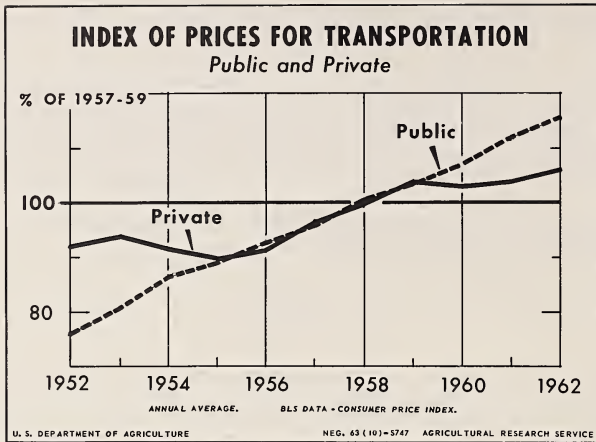


Chart 1

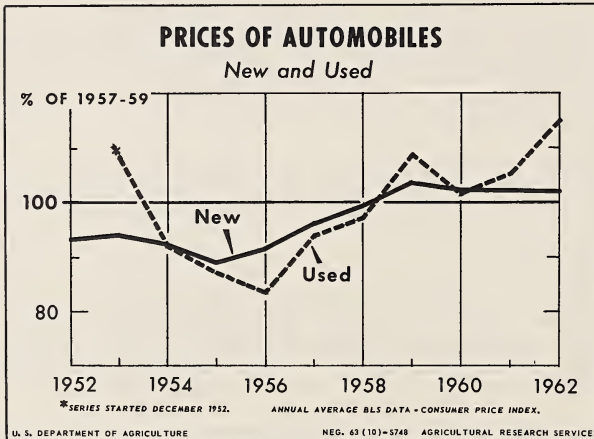


Chart 2

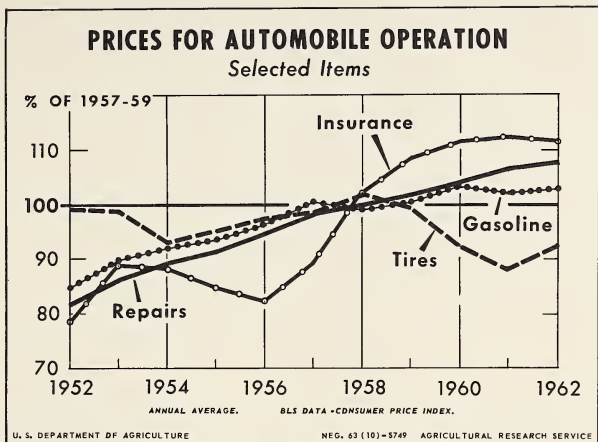


Chart 3

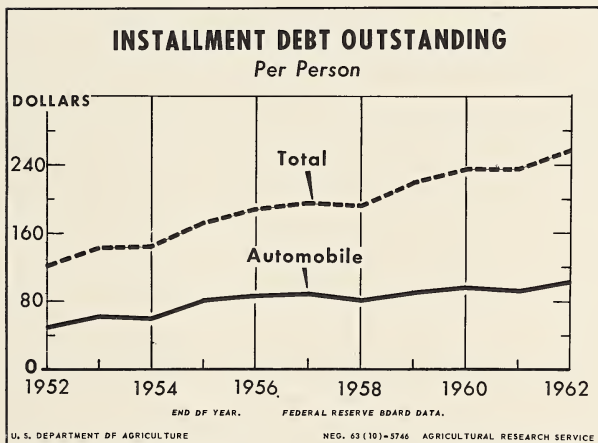


Chart 4









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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

MEDICAL CARE  
Outlook for Expenditures

Talk by Jean L. Pennock  
Consumer and Food Economics Research Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D.C., 11:15 A.M., Thursday, November 21, 1963

The outlook for expenditures for medical care can be given very succinctly. In the years ahead, we will be buying more medical care and paying higher prices for it. This, of course, can be said of almost all the categories of family living to one degree or another. In the case of medical care, we will be buying enough more, and the prices will be enough higher that medical care will take a somewhat larger part of our total expenditures.

I plan to review with you the trends in recent years that lead to this conclusion. In addition, I shall point out a few programs and developments that will have bearing on the financial aspects of medical care as they affect the family.

Changes in expenditure patterns, 1950 to date

Average expenditures.--Data from family expenditure surveys are the most meaningful source of information for a family-oriented program such as this. The funds they account for are those families expend, unmixed with funds from other sources. Also, these data permit us to examine the spending of different segments of the population. We have now new data of this kind from the Consumer Expenditure Survey of 1960-61 for urban families 1/, and we will be getting data for farm and rural nonfarm families as well. These urban estimates can be supplemented, in the meantime, by data from other sources, notably the annual estimates of personal consumption expenditures compiled by the Department of Commerce 2/ and estimates of the Social Security Administration. 3/ Both of the latter cover all segments of the population but both include expenditures for personal consumption made by others than consumers.

The Consumer Expenditure Survey puts urban spending for medical care at an average of \$345 per family in 1960. This compares with \$197 in 1950, and is an increase of 75 percent. The Commerce and Social Security Administration series indicate increases close to 100 percent over the same period. We can expect that the Consumer Expenditure Survey data for the rural population will show a greater increase than does the urban data but possibly not as great as we find in the Commerce and Social Security series.

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1/ Chase, Arnold E., Bureau of Labor Statistics, Changing Patterns of Consumer Expenditures, 1950-1960. Paper presented at the annual meeting of the American Statistical Association, Cleveland, September 4, 1963.

2/ Currently published as table II-4 in the July issue of the Survey of Current Business and in the supplements to this periodical, U.S. Income and Output.

3/ Department of Health, Education, and Welfare, Social Security Bulletin, November 1961.

The importance of medical care in the family budget.--The increase in spending for medical care in the last decade was steeper than the increase in total spending for family living. As a result, medical care now takes a somewhat larger share of total expenditures than formerly. Urban families put 6 percent of their total expenditures into medical care in 1960 as compared with 5 percent in 1950 and 1941. This shift is also apparent in earlier data for farm families. Medical care took 7 percent of their total expenditures in 1941 and 9 percent in 1955.

Because of the publicity given increases in the cost of medical care, there is reason to pause at this point to compare changes in spending for medical care and for other categories. Medical care is not the only category that currently takes more of the urban family's consumption dollar than it did in 1950. Shelter, household operation, and transportation also take at least one percentage point more than formerly. The greatest relative gain in spending was in education--an increase of 165 percent--but because education is a small category, this gain does not amount to a percentage point of total spending. Decreases in the proportion of total spending going into food, housefurnishings and equipment, and clothing balance these gains.

Distribution within the medical care category.--In terms of the ultimate disposition of the consumer's medical dollar--the goods and services he buys without regard to the method by which he buys them--hospital care took 2.6 percentage points more in 1960 than in 1950, moving from fractionally less than 25 percent to fractionally more than 27 percent of the total. Physicians' services declined approximately the same amount, from 28.5 percent to 26.0 percent. Other changes in all cases were less than a percentage point.

In terms of the way families lay out funds, however, the big change is in the proportion they prepay--the proportion going into health insurance. The change the Consumer Expenditure Survey will show will be so great that direct payments to all the vendors of medical goods and services, hospitals included, will be less important than formerly. Since I can't at this time cite the dollars they spend on insurance, let me give some figures on insurance coverage to prove my point.

First consider the proportions of the population having any insurance coverage in 1950 and in 1961. The proportion having hospitalization insurance is a fair estimate of the proportion having any insurance since relatively few persons have other types without also having this type. In 1950, 51 percent of the population had hospitalization insurance from one source or another; in 1961, 75 percent were covered. Then consider the breadth of coverage. The types of insurance carried in addition to hospitalization give one measure of breadth. In 1950, 29 percent of those covered for hospitalization had no other coverage, 71 percent had surgical insurance also, and 28 percent had medical insurance. By 1961, the proportion having no other coverage had fallen to 7 percent, while 93 percent of those insured for hospitalization had surgical coverage also and 69 percent had medical coverage. Important, also, is the rise in the proportion of the population having coverage for major medical expenses, a type of insurance that picks up where the earlier "basic" policies leave off, insures the holder to a very high level as to total expense within the year and within his lifetime, and puts little or no limitation on the type of expense. This type was just becoming available in 1950, and in 1961, 19 percent of the population had this coverage.

The variability of medical care expenditures.--The year-to-year and family-to-family variation in spending for medical care rather than the size of the average expenditure has made this category a stumbling block in family money management.

Medical care expenditures may have risen, but are they as variable as they used to be? In any one year, are the very minor expenditures of a sizeable proportion of families--spending for little more than aspirin and cold medicines--balanced by a few families spending half or even their whole year's income for the treatment of serious illness or accidents? Obviously with insurance coverage at the level it is today, unless their premiums are paid by their employers, there can be few families with only nominal expenditures. What has happened at the other end of the range can be learned from survey data.

In the 1962 Survey of Consumer Finances, interviewers of the Survey Research Center <sup>4/</sup> asked a national sample of spending units whether they had had what they considered large medical expenses in 1961. Forty percent reported that they had had large expenses, 60 percent that they had not. "Large" is a relative term, however, and public discussions of the high cost of medical care may have conditioned the respondents' use of it. More factual information can be gained by looking at the expenditures designated as large. Out-of-pocket expenditures of \$1,000 or more were reported by 8 percent and of \$500 to \$1,000 by 15 percent of those who considered they had had large expenditures. On the other hand, 35 percent reported amounts less than \$200. This is considerably less than the average expenditure per family but under some circumstances it may truly be large in relation to other expenditures and to income. Almost half of those who reported having had large expenditures either were completely uninsured (31 percent) or not covered for the eventuality that caused the expense (16 percent).

A further indication of the "smoothing" effect of insurance can be seen in a survey conducted as part of the National Health Survey program. <sup>5/</sup> Among all patients discharged from short-stay hospitals in the 2-year period July 1958-June 1960, 68 percent had some portion of the hospital bill paid by insurance and 51 percent had three-fourths or more paid. (See table 1.) This does indeed indicate that the financial impact of illness is being smoothed out. All segments of the population are not faring equally well, however. Men were more likely to benefit than women. Persons in the middle years (45-64) were most likely to benefit; those over 65 least likely. Of particular interest to this audience will be the fact that only 55 percent of rural farm residents had some part of their hospital bill paid as against 70 percent of urban residents and 72 percent of rural nonfarm residents. The greatest variation occurred by income class, those needing the cushioning effect of insurance getting it least. Only 40 percent of discharged persons with family incomes under \$2,000 received some insurance payment on their hospital bills compared with 81 percent among those with family incomes of \$7,000 or more.

#### Factors affecting the Level of Medical Care Expenditures

The explanation for increased spending for medical care is at least four-fold.

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<sup>4/</sup> Katona, George, Charles A. Lininger, and Richard F. Kosobud, 1962 Survey of Consumer Finances, Ann Arbor, 1963.

<sup>5/</sup> "Proportion of Hospital Bill Paid by Insurance, Patients Discharged from Short-Stay Hospitals," Series B, No. 30 of Health Statistics from the U.S. National Health Survey, U.S. Department of Health, Education, and Welfare, Washington, 1961.



Table 1.--Percent of persons discharged from short-stay hospitals who had any insurance payment for the hospital bill; percent who had 3/4 or more of their bill paid by insurance; and percent of those with any insurance payment who had 3/4 or more of the bill paid by insurance by sex and age: United States, July 1958-June 1960

Sex and age	Total discharges		Percent of discharges with any insurance payment who had 3/4 or more of the bill paid by insurance
	Percent with any insurance payment for the bill	Percent with 3/4 or more of bill paid by insurance	
<u>Both sexes</u>			
All ages .....	68.0	51.3	75.4
Under 15 .....	72.1	58.3	80.9
15-44 .....	66.9	50.6	75.6
45-64 .....	76.0	58.0	76.3
65+ .....	51.2	30.3	59.2
<u>Male</u>			
All ages .....	70.6	55.7	78.9
Under 15 .....	70.7	57.0	80.6
15-44 .....	74.7	62.2	83.3
45-64 .....	75.5	59.1	78.3
65+ .....	53.1	33.4	62.9
<u>Female</u>			
All ages .....	66.4	48.7	73.3
Under 15 .....	73.9	59.9	81.1
15-44 .....	64.5	47.1	73.0
45-64 .....	76.4	56.9	74.5
65+ .....	49.3	27.3	55.4

Source: Health Statistics from the U.S. National Health Survey, Series B, No. 30, Department of Health, Education, and Welfare.

Price changes.--This explanation comes first to mind, since the fact that the medical care index is currently the fastest rising component of the Consumer Price Index has received much publicity. Price change is by no means the whole explanation, however. Chart 1 shows that between 1950 and 1962 medical care prices rose 56 percent. In the same period, per capita medical care expenditures rose 105 percent in the Commerce series on personal consumption expenditures.

Prices of all types of medical care have not risen at the same rate. (See chart 2.) Over the period we are discussing, hospital rates have shown one of the steepest rises and currently are going up very sharply. The price of hospitalization insurance over the whole period has risen even more sharply. It appeared to be leveling off recently, but the pressure of hospital rates has forced it up again.

Changing needs.--Another of the factors behind our increased spending for medical care has already been discussed on these programs--our aging population. The need for medical care increases with age. In particular, older people need more of the more expensive kinds, like hospital care.

While our senior citizens are currently pushing up our medical bill, our present junior citizens will be contributing to the high level soon. The babies born in 1947, the "Baby Boom" year, are now 16 years old. If the girls among them, and their younger sisters who are almost as numerous, marry and have their families at the early age that is the current pattern, in the later part of this decade we will have another baby boom of considerable size.

Increased ability to pay for medical care.--In the decade that we have been talking about--1950-1960--real income rose 35 percent. This in itself would permit some expansion in spending for medical care. The possibility for increased spending is, however, even greater than this gain indicates. As income increases, the pressure to provide food, housing and clothing becomes less severe and other categories can expand their share of total spending. This lessening of pressure can be seen in shifts in urban spending between 1950 and 1960. The importance of food in the budget dropped sharply (from 29.7 to 24.4 percent) and there was a smaller decrease in the importance of clothing (from 11.5 to 10.2 percent). Because of other changes such as the ending of price controls carried over from World War II, increases in real estate taxes and the assumption of many new mortgages, the share taken by shelter rose rather than declined. Nevertheless, over the decade the proportion of total spending taken by food, housing, and clothing in combination decreased, making possible an increase in spending for other categories of family living proportionally greater than the rise in income over the period.

Changing practices and standards.--This is a coin with two faces. On the one side, the side of the medical professions, we have had tremendous developments in medical science. These, by and large, tend to push up the cost of medical care. The new drugs, the more elaborate diagnostic procedures, the team approach to the treatment of disease, and the new surgical procedures, all cost more than the old ways. On the other side of the coin, the side of the general public, we have an increasing recognition of the value of spending for medical care. We have been educated to want a high level of medical care and to be willing to pay for it even though we may protest loudly as we pay.

For a measure of this double change in our standards, let us look first at hospital utilization rates. In 1950 out of every 1,000 persons in the population, 110 were admitted to general hospitals (all types other than mental and tuberculosis)

and they stayed an average of 10.6 days. In 1960, 136 persons per 1,000 entered hospitals and stayed an average of 9.3 days. The combination of more admissions and shorter stays in 1960 results in an increase of 9 percent in person-days of hospitalization per 1,000 persons. (When we relate the change in utilization to the change in expenditures for hospitalization, however, we have to take into account the 24 percent increase in the admission rate as well as the 9 percent increase in the rate of utilization. Costs are considerably higher in the first few days of hospitalization since elaborate procedures tend to be concentrated there.)

Further evidence in the change in our standards regarding medical care can be seen in the change in the utilization of physicians' and dentists' services over a period of approximately 20 years. In 1928-31, the average person saw a doctor three times a year and less than one person in three saw a dentist within the year. By 1957-59, we were making five visits per year to doctors and 1.5 to dentists. 7/

### New Developments

Now lest I leave the impression that medical care expenses will sky rocket in the years to come, I would like in closing to point out a few developments that will ameliorate the rise.

First let me mention a program that will transfer some of the costs from the individual consumer to the public at large. The Kerr-Mills Act provides Medical Assistance for the Aged through grants-in-aid to the States as part of the public assistance program. As of July of this year, 28 States, the District of Columbia, the Virgin Islands, Puerto Rico, and Guam had programs in operation under this act. The content of the State programs varies considerably, but the money can be used to pay for care received by recipients of Old Age Assistance and by the "medically indigent"--those able to support themselves from their own resources except for medical care.

The Administration proposes a somewhat similar program but ties it to Social Security both as to eligibility and financing.

There are also efforts to make health insurance more available to those over 65. More than half the employees now covered by industrial group health insurance plans can keep their insurance after retirement and this feature is being written into a very high proportion of new industrial group policies. This, however, will help future more than present retirees.

Of more interest to the latter group is the "guaranteed" insurance being offered those over 65 by both commercial insurers and Blue Cross-Blue Shield. By "guaranteed" is meant that the applicant is accepted without regard to his health status.

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6/ Collins, Selwyn D., The Incidence of Illness and The Volume of Medical Services Among 9,000 Canvassed Families. Federal Security Agency, Washington, 1944.

7/ Volume of Physician Visits, Series B, No. 19 of Health Statistics from the U.S. National Health Survey, Department of Health, Education, and Welfare, Washington, 1960.

Dental Care, Interval and Frequency of Visits, Series B, No. 14 of Health Statistics from the U.S. National Health Survey, Department of Health, Education, and Welfare, Washington, 1960.

Premiums for this insurance are higher than for younger persons, of course, but are said to be roughly comparable to plans for the elderly that select only the good-risk individuals. There is considerable variation in premiums and coverage, but as some indication of what is available, one state plan, a commercial one is of interest. For \$19 per month an individual gets a basic policy paying up to \$18 per day for 31 days for hospitalization and \$250 for surgery, and a second policy providing major medical coverage of \$3,600 per year and \$10,000 in his lifetime. There is a "cash deductible" of \$75 and a self-insuring feature on the major medical coverage as on most major medical policies.

These are very good terms considering the risk. It has taken special effort on the part of the insurers to offer coverage like this. Processing expenses are kept to a minimum by offering only one set of policies. In some cases a less unfavorable selection of risks is obtained by limiting sales or enrollments to a part of each year. Moreover, even the commercial companies do not expect to make a profit on this business and frequently subsidize it by assessing no overhead charges against it.

Efforts to cut costs for all, regardless of age, understandably center around the hospital and its use. There are efforts under way to investigate the extent of abuse of hospitalization insurance and to correct it. To reduce the cost of legitimate use of hospitals, plant and operation are undergoing widespread scrutiny. Efforts in this direction are diverse in nature. They range from such detail as the proposed use of disposable sheets in place of conventional textiles to reduce laundry charges (reported by Virginia Britton earlier today) to radical redesigning of hospitals themselves. A type of redesigning receiving much attention provides separate areas for patients based on the amount of care they need. Under this system you find at the one extreme the intensive care center. This provides emergency equipment and constant nursing care on a group basis to patients while they are in a critical condition, thus eliminating the need for private duty nurses and reducing the amount of equipment needed. At the other extreme is the self-care unit for persons needing the facilities of a hospital but able to be up and around.

And to return to the Outlook in closing, may I summarize by pointing out that high grade medical care is part of a high level of living. In as much as we all look forward to a constantly rising level of living, we can expect an increasing outlay for medical care.

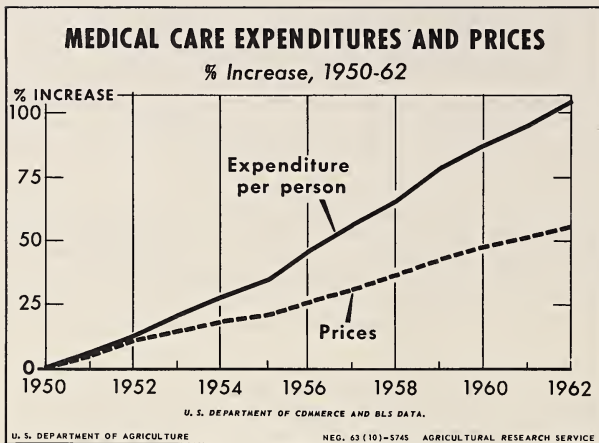


Chart 1

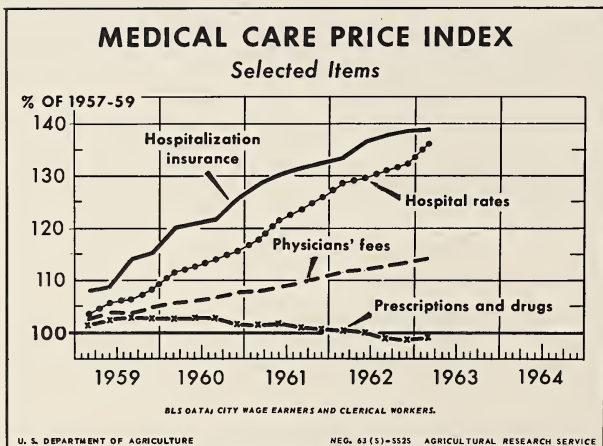


Chart 2



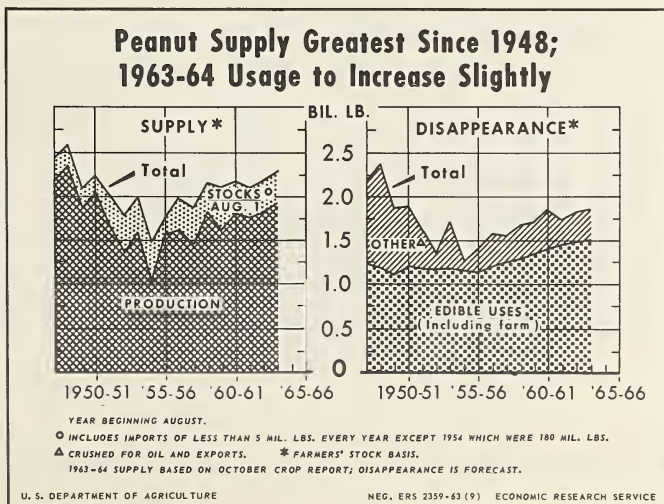
UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

The Outlook for Peanuts in 1963-64

Talk by George W. Kromer  
Economic and Statistical Analysis Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 1:30 P. M., Thursday, November 21, 1963

The supply of peanuts (farmers' stock basis) during the 1963-64 marketing year that began August 1, 1963, is placed at 2,310 million pounds, 6 percent more than the year before and the largest since the 1948-49 season. The increase is attributed to the larger crop, since starting stocks were about the same as a year earlier. The 1963 peanut crop sharply exceeds edible requirements, and CCC will acquire the surplus under the support program.

The 1963 peanut crop was estimated on October 1 at 1,943 million pounds compared with 1,810 million in 1962. The increase is due entirely to record yields in the Southeastern area of the peanut belt, since yield per acre and production are down in both the Virginia-Carolina and Southwestern producing areas. The U. S. average yield per acre is placed at 1,387 pounds and exceeds by 105 pounds the previous record yield in 1962. The 1963 acreage picked and threshed at 1,401,000 acres was about the same as last year. Acreage allotments for 1963-crop peanuts were again at the



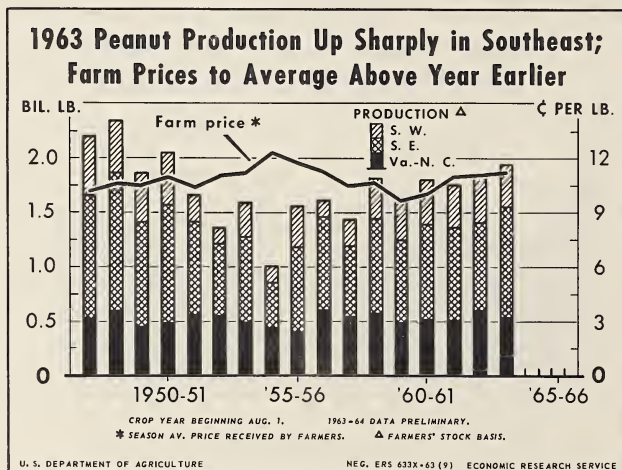


legal minimum of 1,610,000 acres for picking and threshing. Because of the long-term uptrend in yields, production of peanuts from the minimum allotment during most years provides a surplus above edible requirements even though population is increasing.

The 1963-64 outlook is for peanut prices to producers to average around 11.2 cents per pound compared with 11.0 cents in 1962-63. Farm prices, as in recent years, are likely to average near the CCC support rate. Prices to farmers for 1963 crop Spanish and Runner type peanuts so far this season are averaging at about the support level and 6 percent above last year. Virginia-Carolina peanuts have just started to move in volume and prices are also running near the 1963 loan rate.

The 1963-crop peanuts are being supported at a national average of \$224.00 per ton (11.2 cents per pound) compared with \$221.40 per ton (11.1 cents per pound) for the 1962 crop. The 1963 support price is 80 percent of parity. Support by type is as follows: Virginia, \$236.86 per ton; Runner, \$211.24; Southeast Spanish, \$228.98; Southwest Spanish, \$219.70; and Valencia (suitable for cleaning and roasting), \$236.86.

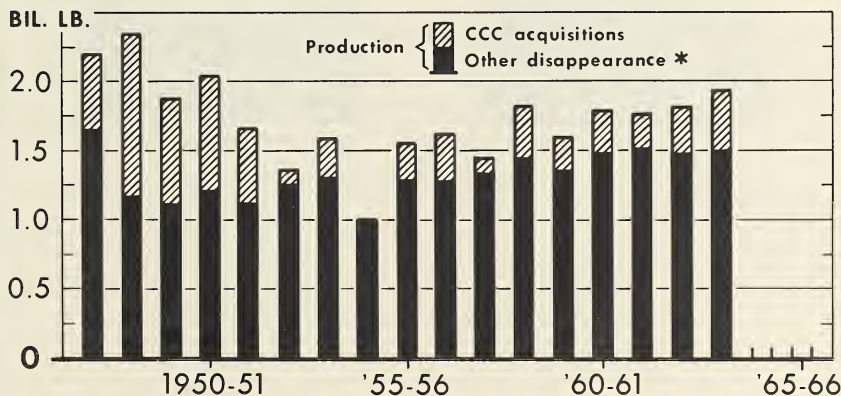
Principal provisions of the 1963 program are similar to those of the 1962 crop. Support will be available by means of warehouse storage loans to grower associations, farm storage loans, and purchase agreements to producers. Loans and purchase agreements are available from time of harvest through January 31, 1964. Loans will mature May 31, 1964, or earlier on demand by CCC.



Civilian consumption of peanuts has increased in recent years, rising from 5.8 pounds per person in 1955-56 to 7.0 pounds, farmers' stock basis (5.0 pounds shelled basis) in 1962-63. Supplies of peanuts in most years are plentiful and prices to growers average near support. Of the 7 pounds per capita, about 6 are consumed in the form of peanut butter, salted peanuts, and in candy. The other pound is divided almost equally between roasted peanuts (the ball-park type) and those consumed as food on farms.

The consumption rate of 7.0 pounds per person is expected to continue during the 1963-64 marketing year. With increased population, this means that total consumption will rise slightly. Assuming a 2 percent increase in total peanut consumption and about the same farm use as in recent years, around 450 million pounds or about 23 percent of the 1963 peanut crop will be acquired by CCC. Both peanut crushings during 1963-64 and carryover stocks on July 31, 1964, are expected to increase, the extent of which will mainly depend upon the CCC diversion policy. The Corporation will continue to purchase peanut butter on the open market for distribution to the school lunch program and needy persons. This is also considered part of the CCC diversion program for surplus peanuts.

## CCC Likely to Acquire One-fifth of 1963 Peanut Production *Farmers' Stock Basis*



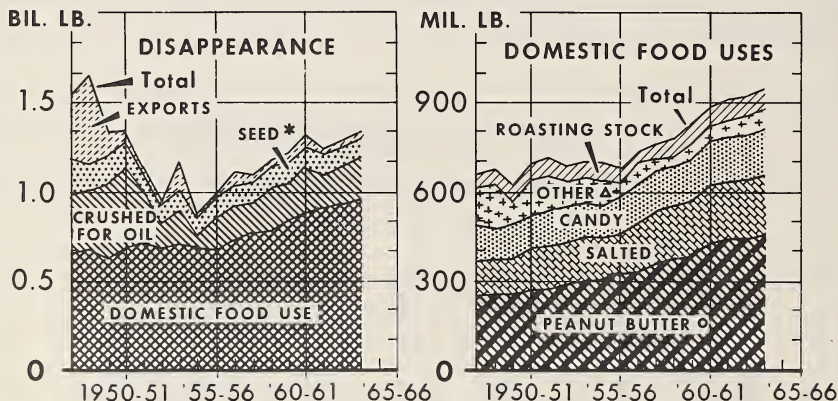
YEAR BEGINNING AUGUST.

\* INCLUDES EDIBLE AND FARM USES, CRUSHINGS, EXPORTS, AND STOCKS.

1963-64 FORECAST.

Economic outlook information for peanuts is published regularly in the Fats and Oils Situation, a processed publication by the Economic Research Service, Economic and Statistical Analysis Division. This statement is a summary from the 1964 Outlook Issue, FOS-220 for November 1963.

## Edible Uses of Peanuts Rising Slowly; Peanut Butter Accounts for One-half of Total Consumption Kernel Basis



YEAR BEGINNING AUGUST. \*INCLUDING FEED, FARM LOSS AND SHRINKAGE.  
 Δ INCLUDING FARM HOUSEHOLD USE. ○ BEGINNING 1956 INCLUDES PEANUT BUTTER USED IN SANDWICHES.  
 1963-64 FORECAST.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2360-63 (9) ECONOMIC RESEARCH SERVICE

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

PRESENT DAY HOUSING OF U. S. FAMILIES

Talk by Emma G. Holmes

Consumer and Food Economics Research Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D. C., 1:30 p.m. Thursday, November 21, 1963

Home building and improvement activities have continued at a high level during the past decade or so, with gratifying results in terms of better housing for U.S. families. According to Housing Census reports, a much larger proportion of families in 1960 than in 1950 were living in homes that were structurally sound, adequate in size for the needs of their occupants, and provided with all the plumbing facilities considered necessary for modern living. Contributing to this improvement were the large amount of new housing built during the decade, the remodeling and modernization of many old homes, and the removal from the housing inventory of many inadequate units.

More than a fourth of the 58 million housing units in existence in early 1960 had been built during the preceding 10 years. The new homes were somewhat larger, on the average, than those built before 1950. Also, they were much more likely to have modern sanitary facilities. Chart 1 shows how homes built since 1950 compared with those built before 1950 in the matter of bathrooms. Outside of the metropolitan areas, 17 percent of the units built since 1950 lacked a private bathroom, whereas 36 percent of those built before 1950 were without a bathroom.

By 1960 approximately 1 out of every 10 housing units in existence in 1950 had been torn down; destroyed by fire, flood, or tornado; merged with other units to form larger ones; or converted to commercial or other uses. Since these were likely to be units that were poor or inadequate in some respect, their removal helped with the upgrading of the stock of housing.

Improvement in the quality of housing is reflected in increasing housing values between 1950 and 1960. The median value of owner-occupied nonfarm homes was \$12,200 in December 1959, compared with \$7,400 in April 1950. The increase of 65 percent in median value during a period when building costs rose approximately 35 percent was due partly to the building of houses with more bedrooms, bathrooms, recreation and family rooms, and more of many luxury features. Rising rents also reflected in part the provision of more conveniences and luxury features in apartments.

About a third of the homes in 1960 were occupied by families or individuals who had moved in since early 1958. Many of those who moved from an owner-occupied nonfarm home went to another owner-occupied nonfarm home, valued at a higher price than the old one. This same type of "trading up" was also apparent for many of those who moved from one rented unit to another.



As a result of the various kinds of housing activities, the supply of housing was ample to allow for some spreading out. The number of occupied housing units was 23 percent greater in 1960 than 1950, while the population was less than 20 percent greater. Particularly notable was the increase in single individuals maintaining their own households. About 13 percent of all housing units (21 percent of the rented, 9 percent of the owner-occupied) were occupied by a person living alone in 1960, compared with 9 percent in 1950. More than half of these persons living alone were over 60 years of age. More married couples were keeping house in their own quarters instead of living "doubled up" with others, also.

The average number of persons occupying a housing unit was 3.3 in 1960, and 3.4 in 1950. The combination of slightly smaller households and larger housing units meant fewer crowded homes. Units with more than one occupant per room declined from 16 percent of the total in 1950 to 12 percent in 1960. Units with more than 1.5 persons per room -- these are considered "overcrowded" -- declined from 6 to 4 percent.

Linked with the improvement in the housing of the Nation's families was an increase in home ownership. Census data have always shown a tendency for owner-occupied homes to rate higher than rented ones in condition, and in adequacy of size and facilities. Ownership was encouraged in the 1950's by the plentiful supply of new houses, the availability of mortgage financing on favorable terms, and good incomes. By 1960, 62 percent of the housing units were occupied by their owners, up from 55 percent in 1950. Almost three-fifths of the owner-occupied nonfarm homes were mortgaged, and 9 out of 10 of the mortgages had been assumed since the beginning of 1950.

Rural housing.--About 20 years ago I wrote a paper on rural housing for which I used data from the 1940 census. I reread it recently to see how much things had changed since then. One of the introductory statements was "Farm homes in general lag far behind others in convenience and adequacy." 1/ Today, according to the 1960 census, there is still some lag, but much less than two decades ago.

For example, the percentage of "crowded" farm homes (more than 1 person per room) was down from 30 in 1940 to 14 in 1960; the percentage with electricity was up from 31 to almost 100; piped running water up from 18 to 75; and private bathing facilities and flush toilet up from about 12 to 62 percent.

In 1940, only 15 percent of the farm homemakers were fortunate enough to have a mechanical refrigerator. Two decades later the refrigerator was an indispensable fixture of practically every farm home. Moreover, more than half (53 percent) of the farm homes had the added convenience of a home freezer. (See chart 2)

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1/ Holmes, E. G. and Angle, G. M., The Need for Rural Housing, USDA, ARS, (mimeographed) April 1944.

Farm housing compared much more favorably with rural nonfarm housing in 1960 than in 1940 or 1950. Farm houses in the Northeast, North Central, and Western regions were a good match for the rural nonfarm homes, insofar as the percentage having sound structural condition, all plumbing facilities, telephones, and some of the other household equipment enumerated in the 1960 census, and they were less likely to be crowded. In the South, however, although striking gains had been made, farm housing still appeared less adequate than rural nonfarm units in the region. Farm housing in the South was also less adequate than that in the other three regions. Southern farm housing is an important component of the U.S. total, because 42 percent of all occupied farm housing units are located in this region.

New construction had a relatively unimportant part in the upgrading of farm housing, since only 12 percent of the farmhouses in the 1960 count had been built since 1950, compared with 31 percent of the rural nonfarm units. Undoubtedly many older farm homes had been modernized and provided with up-to-date household equipment during the decade, though we have no data to tell how many. An even more important factor, perhaps, in raising the general level of farm housing and evening up the score between farm and rural nonfarm dwellings was the shifting of many houses on poor land and small acreages from the farm to the rural non-farm inventory. This shifting occurred as the land was taken out of farming, combined with other farm units to form larger farms, or reclassified as nonfarm by the new Census definitions used in 1960. The number of occupied farmhouses in 1960 was down to about three-fifths of the 1950 total.

Inadequate housing.---Although U. S. housing as a whole has been undergoing a general facelifting, many families and individuals still do not enjoy the advantages of adequate housing. One-fourth of the housing units in 1960 were structurally unsound or lacking one or more essential facilities. These included the 5 percent that were reported to be "dilapidated" -- that is with "defects so critical and widespread that the structure should be extensively repaired, rebuilt, or torn down." <sup>2/</sup> Also, approximately 1 out of every 9 housing units failed to meet the generally accepted standard for space adequacy because it had less than 1 room per occupant. On the whole, the structural condition of housing was poorer in rural than urban areas, and in rented than owner-occupied properties, whether urban or rural. (See chart 3)

Housing units occupied by nonwhite persons (about 10 percent of all units in 1960) rated lower in every respect than other housing. Nonwhite owners were better housed than renters, but only 38 percent owned their homes, in comparison with the 62 percent U. S. total. Crowding was common in nonwhite homes, for 28 percent of them housed more than 1 person per room, and 14 percent more than 1.5 persons per room (corresponding figures for the U. S. as a whole were 12 percent and 4 percent here). Only 49 percent of the units occupied by nonwhites were reported to be sound and provided with all plumbing equipment, in contrast with



74 percent for all units. Only about two-thirds of the homes of nonwhite persons had a private flush toilet, and three-fifths a bathroom for the private use of the occupants.

According to a special analysis of 1960 Census data prepared by the Housing and Home Finance Agency, older people (60 years of age and over) are somewhat more likely than younger ones to live in homes that are structurally unsound or lacking facilities. However, by the time they reach 60 many are living in 1- or 2-person households, so crowding is not usually a problem for them.

The poorer housing of the nonwhite, the elderly, and the rural family is due in part, of course, to the lower income levels of these groups. The 1960 census provides evidence of the relationship between income and certain housing characteristics for owners and renters on farms and in rural nonfarm areas. For example, it shows that only 40 percent of the farm owner-occupants with incomes under \$2,000 had homes that were sound and provided with all plumbing facilities, compared with 83 percent of those with \$10,000 or more.

Facilities for rural homes.--Data were obtained in 1960 for the first time in a U. S. census about the source of water and method of sewage disposal for homes in rural areas and places with up to 50,000 population. These show the extent to which these utilities are still the responsibility of the individual householder in rural areas. Individual wells were the source of water for 8 out of 10 farm and 5 out of 10 rural nonfarm homes. (See chart 4) In addition, about 1 out of every 10 rural homes--farm and nonfarm--used water from springs, creeks, rivers, ponds, lakes, and such. Sewage was disposed of by means of septic tanks or cesspools for 6 out of every 10 farm homes and almost as many rural nonfarm dwellings. Connections with public sewage systems were reported by about 1 percent of the farm and 17 percent of the nonfarm rural housing units. This left a large proportion of each group to resort to other ways of disposing of waste, described in the census report as "other or none"--meaning, I assume, such arrangements as use of privies and discharging waste into streams, lakes and ponds, or onto the ground.

As population increases and what used to be sparsely settled open country becomes closely settled suburban and urban fringe housing areas, problems of water supply and sewage disposal are becoming matters of urgent community concern. More about these problems and what can or is being done to solve them will be discussed later this afternoon.

Additional housing census data available.--Much information is available in the Census volumes that I have not included in this brief discussion, of course. For example, they give distributions of housing units by number of rooms, number of bedrooms and bathrooms, type of fuel used for cooking and for heating, and type of heating equipment. An entire volume is devoted to rural housing, and another to the financing of homeowner properties.

There has been time this afternoon for only a bird's eye view of U. S. housing as a whole. However, I know that your main concern is with conditions closer to home--in your own region and State. This information is available to you in the Census publications, but many of the data you may want to use are given in numbers of housing units rather than percentages, and are therefore not directly usable for describing situations or making comparisons. We have done some of the necessary calculations and are giving you tables showing figures for each region and State. Data are also available in the Census reports for each of the metropolitan areas in your State, for the individual cities, for counties, and for towns and villages with a population of 1,000 or more. The data for the smaller areas--town and villages and counties outside the metropolitan areas--are less complete than those given for the larger areas.

A list of the 1960 Census of Housing volumes referred to in this paper, with notations about their contents, follows.

1. United States Summary: States and Small Areas (HC-1, No. 1). General characteristics of housing for the United States, by urbanization; for regions and subdivisions; for cities of 100,000 or more.
2. State summaries (one for each State and the District of Columbia) (HC-1, Nos. 2-52). General characteristics of housing for the State, by urbanization; for counties; for places with population of 1,000 or more.
3. United States and Regions: Components of Inventory Change -  
Part 1A: 1950-1959 Components (HC-4, Part 1A-1)  
Part 1B: Inventory Characteristics (HC-4, Part 1B-1)

Data on the counts and characteristics of the components of change in the housing inventory, 1950-59. Data relate to such components as new construction, conversions, mergers, demolitions, and other losses, and dwelling units that were the same in 1950 and 1959.

4. Rural Housing (Volume V)  
Selected characteristics of rural nonfarm and farm housing, cross classified with number of rooms, condition and plumbing facilities, income of occupants, and year built. Data are given for owner- and renter-occupied units in the United States and each of the 121 economic subregions. (Economic subregions are groups of counties with similar physical, economic, and social characteristics, and may cut across State lines.)
5. Residential Finance: Homeowner Properties (Volume V, Part 1)  
Mortgage status of single-family, owner-occupied nonfarm homes.
6. Senior Citizens and How they Live--An Analysis of 1960 Census Data.  
Part I: The National Scene. (July 1962) (processed) Housing and Home Finance Agency.

Housing and household facilities and equipment of U.S. families, by region, State, and urbanization, 1960

Region, State, and urbanization	All housing units				Occupied housing units												Telephone available	Air condi- tioned	Tele- vision	
	Total number of rooms	Median 1-unit struc- ture	In 1950- 1960	Sound, with all plumbing facilities	1.01 or more per- sons per room		Occupant moved in 1950- 1960	Owner occu- pied	Median value (owned unit)	Running water in unit	Flush toilet, or shower, private	Bath tub or shower, private	Bathroom (1 or more)	Washing machine	Clothes dryer	Home freezer				
					Percent	Percent														Percent
United States .....	58,326,357	4.9	76	28	74	12	32	62	11,900	93	87	85	93	74	17	13	78	12	87	
Urban .....	40,763,665	4.8	68	28	81	15	33	56	12,900	93	94	94	91	70	17	13	89	14	89	
Rural nonfarm .....	13,996,171	4.8	96	31	58	15	33	70	8,300	80	71	70	67	81	18	26	67	6	83	
Rural farm .....	3,566,321	5.8	99	12	51	15	16	74	13,300	98	94	92	90	87	17	53	64	10	80	
Northeast Region .....	14,798,360	5.1	60	20	81	8	25	56	13,300	98	94	92	90	87	17	53	64	11	92	
Urban .....	11,652,186	5.0	51	18	83	9	25	78	11,000	93	86	83	86	83	22	24	84	11	92	
Rural nonfarm .....	2,935,965	5.4	93	30	71	9	25	86	8,800	88	79	72	80	94	24	60	86	3	92	
Rural farm .....	239,950	7.2	96	16	61	6	10	66	10,900	99	93	87	92	81	12	16	72	3	90	
Maine .....	364,617	5.0	92	12	74	9	20	55	10,900	99	93	87	92	81	12	10	76	2	91	
Urban .....	189,125	5.1	95	19	50	12	23	60	6,300	99	93	87	92	81	12	19	67	1	89	
Rural nonfarm .....	128,504	7.1	93	6	54	9	9	91	10,700	96	91	87	94	91	12	14	78	4	90	
Rural farm .....	22,440	5.2	73	13	73	7	27	65	10,700	96	91	87	94	91	12	14	78	4	90	
New Hampshire .....	113,368	5.0	95	16	60	7	29	56	11,700	100	97	84	93	81	80	12	14	78	4	91
Urban .....	102,165	5.3	91	20	65	6	26	78	9,100	92	86	79	75	83	14	20	76	3	90	
Rural nonfarm .....	105,907	5.3	91	20	65	6	26	78	9,100	92	86	79	75	83	14	20	76	3	90	
Rural farm .....	5,165	7.3	93	7	67	5	11	91	--	97	89	87	84	87	13	48	87	3	87	
Vermont .....	136,307	5.7	77	14	68	8	26	66	9,700	96	90	87	94	92	13	21	79	2	88	
Urban .....	47,434	5.2	74	12	78	7	31	53	12,000	100	97	94	92	81	13	9	79	3	88	
Rural nonfarm .....	76,415	5.7	86	16	63	9	26	72	7,800	93	87	79	75	88	14	23	73	2	88	
Rural farm .....	1,690,998	5.2	94	16	81	6	26	66	13,800	100	96	93	90	73	11	7	87	2	92	
Massachusetts .....	1,378,908	5.2	94	16	82	6	26	66	14,000	100	98	95	94	93	10	5	87	2	92	
Urban .....	302,110	5.3	91	36	79	8	26	81	12,900	98	95	92	87	84	17	15	90	4	94	
Rural nonfarm .....	9,980	6.8	95	13	76	6	11	88	--	98	94	92	89	89	18	14	91	4	94	
Rhode Island .....	286,757	5.0	93	13	79	7	26	54	12,300	99	96	92	86	65	9	5	81	4	94	
Urban .....	240,974	5.0	47	16	80	7	25	52	12,400	100	97	92	86	60	73	13	82	4	94	
Rural nonfarm .....	44,665	5.0	97	33	73	9	30	69	12,000	96	92	83	80	79	13	4	84	4	94	
Connecticut .....	81,344	6.6	91	12	84	6	27	63	16,700	99	94	90	86	63	14	32	92	4	85	
Rural farm .....	81,344	6.6	91	12	84	6	27	63	16,700	99	94	90	86	63	14	32	92	4	85	
Consistent .....	33,709	5.0	93	23	85	8	27	92	16,500	100	97	95	93	90	11	7	92	7	92	
Urban .....	179,866	5.4	92	41	84	7	26	68	16,400	97	95	94	93	90	22	23	94	6	92	
Rural nonfarm .....	6,669	6.7	94	11	78	6	10	86	--	98	94	93	93	91	85	22	46	95	3	92
New York .....	5,695,880	4.7	44	20	81	9	25	45	15,300	99	94	93	93	92	12	10	82	11	91	
Urban .....	4,766,214	4.5	34	18	83	9	25	40	15,000	100	95	95	95	94	12	10	82	12	91	
Rural nonfarm .....	829,221	5.4	92	30	73	8	27	79	11,800	93	89	85	83	87	24	26	87	12	91	
Rural farm .....	86,145	7.6	95	6	96	5	10	67	--	94	87	86	83	94	30	61	89	3	92	
Delaware .....	1,717,200	5.1	59	24	82	8	26	59	15,900	100	97	96	94	73	14	12	85	10	90	
Urban .....	1,717,200	5.1	59	24	82	8	26	59	15,900	100	97	96	94	73	14	12	85	10	90	
Rural nonfarm .....	14,406	6.5	96	13	75	7	13	78	13,000	92	94	91	88	83	20	26	85	11	94	
Rural farm .....	3,581,877	5.6	82	19	79	7	13	78	13,000	92	94	91	88	83	22	25	88	9	92	
Pennsylvania .....	2,571,669	5.6	77	17	83	9	22	77	10,600	100	96	94	93	93	26	15	85	10	92	
Urban .....	913,442	5.5	96	26	68	7	10	67	8,800	91	81	79	77	83	21	15	87	12	93	
Rural nonfarm .....	1,658,227	7.0	77	23	82	10	32	63	13,100	92	94	91	88	83	22	15	85	9	92	
Rural farm .....	91,765	5.0	97	26	62	6	10	67	--	94	87	86	83	94	30	26	87	12	91	
North Central Region .....	16,787,194	4.9	69	24	71	10	32	30	12,100	94	78	77	75	96	24	22	84	11	82	
Urban .....	13,935,282	5.0	93	27	60	12	30	67	10,500	99	93	90	89	75	29	24	81	9	90	
Rural nonfarm .....	3,935,282	4.8	98	22	78	11	32	32	8,500	82	74	71	67	86	27	31	80	7	87	
Rural farm .....	1,422,144	6.3	99	8	59	7	12	77	13,400	96	90	88	87	84	33	13	85	7	92	
Ohio .....	2,041,151	5.2	73	25	78	10	30	67	13,400	96	90	88	87	84	33	13	85	7	92	
Urban .....	3,041,151	5.1	73	25	82	9	32	64	14,000	99	95	93	92	83	32	19	87	8	93	
Rural nonfarm .....	636,393	5.3	97	32	64	12	30	76	10,500	85	74	74	75	72	37	29	77	4	91	
Rural farm .....	144,197	4.8	99	7	62	7	11	82	--	86	74	74	74	95	35	61	81	2	91	
Indiana .....	1,938,143	4.9	87	23	73	11	30	71	10,200	94	87	85	83	83	24	24	84	10	90	
Urban .....	1,325,345	4.8	98	22	78	11	32	32	9,300	99	93	90	89	75	29	24	83	9	90	
Rural nonfarm .....	612,798	4.9	98	22	78	11	32	32	9,300	99	93	90	89	75	29	24	83	9	90	
Rural farm .....	145,340	6.1	100	9	65	8	12	81	8,900	86	76	77	74	94	31	28	83	7	87	





Housing and household facilities and equipment of U.S. families, by region, State, and urbanization; 1960 (Continued)

Region, State, and urbanization	All housing units				Occupied housing units												Telephone available	Air condi- tioned	Tele- vision
	Total number rooms	Median in structure	Built 1960	Sound, plumbing facilities	1.01 or more per room, 1960		Occupant in 1960	Owner occu- pied	Median value (owned unit)	Running water unit	Flush toilet, or shower, private	Bath tub or shower, private	Bathroom (1 or more)	Washing machine	Clothes dryer	Hose freezer			
					Percent	Percent													
Virginia .....	1,169,013	5.0	85	32	66	14	33	10,800	61	12,400	85	77	75	73	74	9	18	69	83
Urban .....	666,914	5.0	35	35	81	19	33	56	56	12,400	98	94	92	90	70	12	14	12	88
Rural farm .....	401,292	4.9	97	32	48	17	30	67	67	7,200	68	55	55	53	79	7	20	57	76
West Virginia .....	101,217	5.9	99	12	38	17	15	74	64	7,600	82	71	69	68	88	22	39	49	83
Urban .....	574,337	5.0	91	18	57	15	27	31	60	10,900	99	94	93	92	84	27	12	83	89
Rural farm .....	234,249	5.1	81	17	78	19	26	66	66	5,200	70	55	54	54	91	19	17	83	90
Urban .....	308,246	4.8	98	19	43	12	26	86	86	7,600	92	75	74	74	91	19	17	83	90
Rural farm .....	1,362,597	6.0	99	11	57	17	32	60	60	8,000	92	75	65	62	74	14	28	54	81
North Carolina .....	1,732,560	4.8	88	30	57	13	35	55	55	9,700	97	93	87	81	65	6	14	73	85
Urban .....	581,301	4.8	97	34	51	19	34	64	64	6,500	97	61	59	57	76	6	23	52	79
Rural farm .....	1,900,396	5.5	100	14	34	23	31	64	64	7,500	77	70	67	61	84	4	43	35	74
South Carolina .....	678,379	4.8	91	31	54	21	32	57	57	9,400	95	89	83	77	60	5	21	55	78
Urban .....	300,146	4.7	83	30	68	16	33	54	54	5,600	95	89	83	77	60	5	15	69	83
Rural farm .....	302,453	4.7	97	35	46	23	33	61	61	5,600	95	89	83	77	60	5	22	47	75
Georgia .....	75,780	5.4	100	15	32	30	19	59	59	5,000	83	41	40	37	66	4	39	32	80
Urban .....	1,170,039	4.7	76	31	70	18	36	56	56	10,700	96	90	84	70	66	6	20	62	80
Rural farm .....	665,839	4.7	85	33	58	16	37	53	53	6,700	96	74	72	65	80	5	14	73	84
Florida .....	98,340	5.6	96	32	44	23	19	66	66	11,800	96	92	90	85	63	2	44	48	76
Urban .....	1,776,961	4.6	82	52	78	12	43	68	68	11,800	96	92	90	86	74	13	13	68	84
Rural farm .....	1,339,219	4.6	78	50	82	11	42	66	66	12,300	99	95	93	89	58	7	10	72	85
Illinois .....	408,473	4.4	94	29	57	16	29	82	82	9,200	87	82	80	74	67	7	19	55	78
Urban .....	928,572	4.7	88	24	53	17	32	64	64	8,600	74	64	62	60	80	11	17	61	79
Rural farm .....	269,269	5.3	93	33	46	16	20	81	81	6,800	74	64	62	60	78	5	14	54	74
Kentucky .....	925,572	4.7	88	24	53	17	32	64	64	8,600	74	64	62	60	80	11	17	61	79
Urban .....	434,239	4.6	77	25	75	13	35	60	60	10,600	98	90	87	85	75	15	10	78	87
Rural farm .....	343,250	4.5	96	28	37	22	35	64	64	5,400	96	44	44	42	83	10	17	47	71
Tennessee .....	1,084,365	4.7	89	29	57	16	33	64	64	8,300	97	90	86	84	80	13	21	68	81
Urban .....	500,373	4.7	81	30	43	14	36	59	59	9,500	97	90	86	84	76	11	21	68	81
Rural farm .....	349,324	4.6	94	32	34	19	35	35	35	6,100	93	50	50	48	81	10	23	57	66
Alabama .....	1,54,468	5.1	100	15	29	20	19	73	73	5,100	53	35	35	33	86	4	39	49	72
Urban .....	967,466	4.7	89	29	54	16	34	63	63	8,600	74	64	62	60	80	11	17	61	79
Rural farm .....	546,244	4.8	82	31	68	19	36	58	58	9,900	93	87	81	78	68	9	19	74	82
Arkansas .....	323,293	4.5	98	30	37	25	35	59	59	5,600	99	45	45	42	70	4	22	42	6
Urban .....	97,929	5.0	100	17	29	24	18	69	69	7,900	96	36	36	33	76	2	37	32	4
Rural farm .....	292,292	4.6	97	26	35	16	36	67	67	5,600	97	68	55	52	62	4	25	45	36
Mississippi .....	123,491	4.8	99	16	25	32	31	58	58	5,800	93	44	44	40	62	3	26	36	12
Urban .....	586,552	4.4	93	24	48	18	35	61	61	6,700	72	62	59	57	70	6	19	51	14
Rural farm .....	277,488	4.6	86	26	66	13	38	59	59	8,400	94	86	81	79	60	8	15	70	81
Louisiana .....	86,007	4.3	98	24	35	24	36	62	62	1/2	55	45	44	41	76	4	22	39	69
Urban .....	718,152	4.5	92	17	61	24	33	59	59	10,700	97	82	78	73	81	3	37	28	4
Rural farm .....	288,083	4.9	98	31	75	17	22	66	66	7,600	96	59	58	52	73	14	18	59	81
Urban .....	55,232	4.1	99	21	38	26	17	66	66	6,600	65	51	51	45	79	5	31	54	12
Rural farm .....	815,685	4.6	91	26	66	12	35	67	67	7,900	98	92	91	81	79	64	10	75	84
Oklahoma .....	515,795	4.7	87	30	76	10	39	64	64	9,100	98	92	91	90	64	12	14	83	35
Urban .....	223,128	4.4	98	22	48	16	34	76	76	8,000	73	62	63	61	61	7	20	59	81
Rural farm .....	76,772	5.0	99	15	50	14	15	76	76	8,000	97	94	90	87	65	9	45	60	83
Texas .....	3,153,471	4.6	96	30	72	16	34	65	65	9,500	97	94	90	87	65	9	12	76	86
Urban .....	634,906	4.3	97	30	50	19	34	66	66	5,300	74	65	65	62	65	6	28	54	34
Rural farm .....	203,374	5.0	100	19	53	16	19	66	66	5,300	82	69	72	62	72	7	48	52	16

Housing and household facilities and equipment of U.S. families, by region, State, and urbanization, 1960 (Continued)

Region, State, and urbanization	All housing units				Occupied housing units												Telephone available		Air conditioned		Tele- vision	
	Total number of rooms	In 1-unit structure	Built 1950- 1959	Sound, with all plumbing facilities	1.01 or more per- son per room	Occupant moved in 1960	Owner occupied in 1960	Median value (owned unit)	Running water in unit	Flush toilet, private	Bath tub or shower, private	Clothes dryer	Washing machine (1 or more)	Home freezer		Telephone available		Air conditioned		Tele- vision		
														Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Western Region .....	9,557,505	4.6	80	37	82	11	41	13,700	97	93	92	92	73	19	21	81	9	9	86	86	86	
Urban .....	7,408,000	4.6	75	38	86	10	42	14,200	100	96	95	95	71	18	17	84	9	9	88	88	88	
Rural nonfarm .....	1,812,232	4.3	94	37	65	18	44	10,000	89	82	81	81	80	28	31	79	9	9	70	70	70	
Alaska .....	337,493	4.3	88	39	65	15	36	10,000	90	81	80	80	82	29	39	75	10	10	78	78	78	
Urban .....	117,690	4.3	72	24	76	12	39	12,500	98	90	89	89	78	28	31	86	5	5	82	82	82	
Rural nonfarm .....	87,577	4.2	92	26	58	19	39	8,100	81	72	71	70	84	30	41	72	5	5	76	76	76	
Rural farm .....	28,683	5.2	98	16	64	16	17	10,600	93	73	74	72	93	33	33	68	3	3	72	72	72	
Idaho .....	223,533	4.5	89	27	73	16	37	10,600	95	87	86	85	85	30	39	76	8	8	86	86	86	
Urban .....	105,236	4.5	83	29	82	12	41	11,600	99	94	94	94	93	29	30	81	8	8	86	86	86	
Rural nonfarm .....	88,753	4.2	94	18	72	11	40	8,100	99	94	94	94	93	29	30	81	8	8	86	86	86	
Rural farm .....	113,096	4.3	83	29	72	16	42	12,300	92	86	85	85	84	73	23	35	78	5	5	77	77	
Wyoming .....	63,110	4.4	74	30	70	13	44	13,600	95	94	93	93	78	25	35	85	5	5	81	81	81	
Rural nonfarm .....	38,116	4.1	93	31	62	20	43	8,100	83	75	74	74	73	19	37	68	7	7	75	75	75	
Rural farm .....	11,840	5.1	98	16	64	17	24	70	84	75	76	76	74	88	20	64	2	2	64	64	64	
Colorado .....	594,522	4.6	81	35	76	12	40	12,300	95	87	87	86	76	14	25	84	6	6	85	85	85	
Urban .....	147,611	4.7	75	38	93	10	42	12,900	99	93	92	92	75	13	20	87	6	6	88	88	88	
Rural nonfarm .....	134,698	4.3	94	29	56	17	41	8,100	88	71	72	71	70	39	14	76	4	4	77	77	77	
Rural farm .....	28,776	3.3	91	42	70	26	45	69	10,700	88	81	81	80	69	11	23	64	10	10	76	76	
New Mexico .....	188,015	4.6	89	48	80	18	49	11,900	97	92	91	90	70	12	22	74	11	11	85	85	85	
Urban .....	76,920	3.9	94	34	47	37	39	66	5,300	69	58	58	56	67	6	23	41	7	7	64	64	
Rural nonfarm .....	15,041	4.6	96	23	58	27	24	73	11,000	94	89	88	87	69	9	18	42	6	6	84	84	
Arizona .....	41,834	4.8	89	51	76	19	48	11,100	94	89	88	87	69	9	18	42	6	6	84	84	84	
Urban .....	313,060	4.5	88	52	82	15	48	11,400	99	95	94	93	70	5	17	71	30	30	86	86	86	
Rural nonfarm .....	91,184	3.7	93	48	58	31	52	60	7,800	80	72	71	69	6	21	45	20	20	66	66	66	
Rural farm .....	262,590	4.9	87	39	85	17	39	12,600	98	94	94	94	84	21	36	87	8	8	89	89	89	
Utah .....	195,593	4.7	77	32	86	15	36	66	13,400	100	97	96	81	22	22	89	9	9	90	90	90	
Rural nonfarm .....	56,920	4.6	94	28	69	21	31	77	9,000	93	87	87	86	69	17	89	2	2	83	83	83	
Rural farm .....	101,671	4.1	80	43	81	17	54	52	15,200	97	91	91	90	65	11	21	16	16	83	83	83	
Nevada .....	108,663	4.1	80	48	81	14	52	56	15,900	97	94	94	93	65	10	21	16	16	83	83	83	
Urban .....	70,379	4.2	87	50	85	13	51	57	15,900	97	94	94	93	65	10	21	16	16	83	83	83	
Rural nonfarm .....	28,895	3.9	86	44	72	17	55	54	8,600	92	86	85	84	63	11	27	39	14	14	74	74	
Rural farm .....	2,949	4.9	94	23	63	17	70	70	11,700	95	91	91	90	82	12	59	5	5	75	75	75	
Washington .....	1,009,519	4.7	83	28	78	8	36	68	11,700	95	91	91	90	80	37	85	8	8	87	87	87	
Urban .....	686,584	4.7	77	27	83	6	37	66	12,100	100	94	94	93	77	22	89	2	2	90	90	90	
Rural nonfarm .....	275,193	5.2	96	31	97	13	48	10,000	99	96	96	96	95	15	32	87	5	5	87	87	87	
Rural farm .....	46,172	5.6	99	17	73	12	18	73	12,000	92	85	84	82	87	41	34	78	5	5	85	85	85
Oregon .....	622,853	4.8	86	27	77	9	37	69	10,500	97	91	90	89	93	38	33	82	5	5	85	85	85
Urban .....	386,508	4.9	81	26	73	9	37	67	11,100	100	95	94	94	82	36	87	5	5	84	84	84	
Rural nonfarm .....	195,744	4.5	95	31	65	14	40	71	8,500	93	84	85	82	40	41	83	5	5	81	81	81	
Rural farm .....	40,601	5.1	76	40	86	10	43	58	15,100	99	96	95	95	38	60	73	5	5	79	79	79	
California .....	5,402,870	4.6	76	40	89	10	46	58	15,100	99	96	95	95	38	60	73	5	5	79	79	79	
Urban .....	1,025,637	4.6	74	40	89	10	46	58	15,100	99	96	95	95	38	60	73	5	5	79	79	79	
Rural nonfarm .....	4,165,230	4.3	95	45	72	13	46	61	12,500	99	89	89	87	6	15	81	10	10	89	89	89	
Rural farm .....	97,983	5.2	96	22	74	13	43	70	11,300	99	94	94	92	79	29	88	19	19	84	84	84	
Alaska .....	61,193	3.5	70	56	58	28	61	48	9,100	80	73	72	71	61	23	60	20	20	87	87	87	
Urban .....	29,117	3.6	98	52	74	22	65	40	16,800	97	92	91	90	55	24	74	1	1	46	46	46	
Rural nonfarm .....	37,559	3.5	98	52	74	22	65	40	16,800	97	92	91	90	55	24	74	1	1	46	46	46	
Rural farm .....	165,506	4.5	97	52	74	22	65	40	16,800	97	92	91	90	55	24	74	1	1	46	46	46	
Hawaii .....	129,413	4.6	98	36	70	26	43	43	12,500	99	90	91	89	79	25	55	42	2	2	83	83	83
Rural nonfarm .....	129,413	4.6	98	36	70	26	43	43	12,500	99	90	91	89	79	25	55	42	2	2	83	83	83
Rural farm .....	23,469	5.0	99	26	37	32	13	53	12,500	98	80	80	80	6	25	69	1	1	59	59	59	

1/ Median less than \$5,000.

Source: U.S. Census of Housing, 1960.



## HOMES LACKING PRIVATE BATHROOM

*By Location and Date of Construction, 1959*

### INSIDE METROPOLITAN AREAS \*



### OUTSIDE METROPOLITAN AREAS \*



HOUSING UNITS BUILT Δ

▨ Before 1950

■ 1950-59

\* STANDARD METROPOLITAN STATISTICAL AREAS.  
CENSUS BUREAU DATA.

Δ OCCUPIED UNITS.

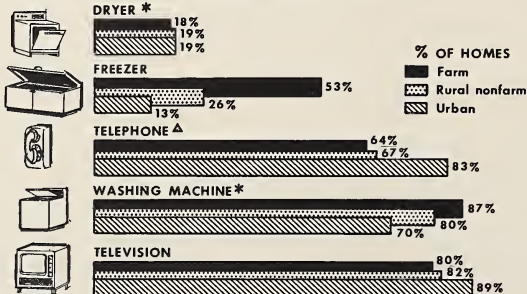
U. S. DEPARTMENT OF AGRICULTURE

NEG. 63 (5)-5529 AGRICULTURAL RESEARCH SERVICE

Chart 1

## EQUIPMENT IN HOMES

*By Urbanization, 1960*



\* INCLUDES WASHER-DRYER COMBINATIONS.

Δ AVAILABLE.

CENSUS BUREAU DATA.

U. S. DEPARTMENT OF AGRICULTURE

NEG. 63 (5)-5528 AGRICULTURAL RESEARCH SERVICE

Chart 2

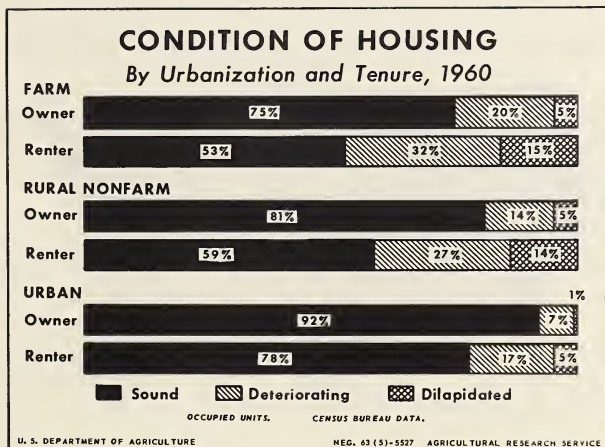


Chart 3

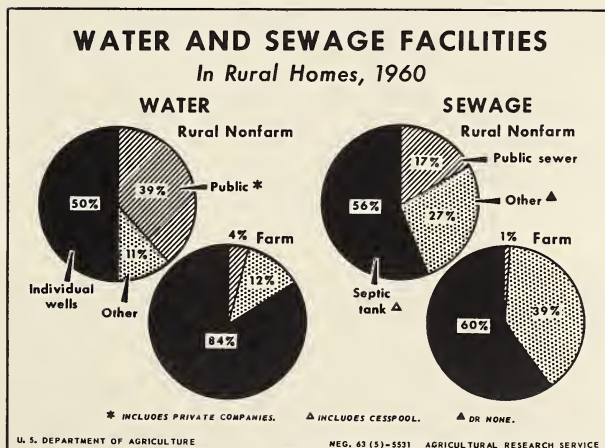


Chart 4

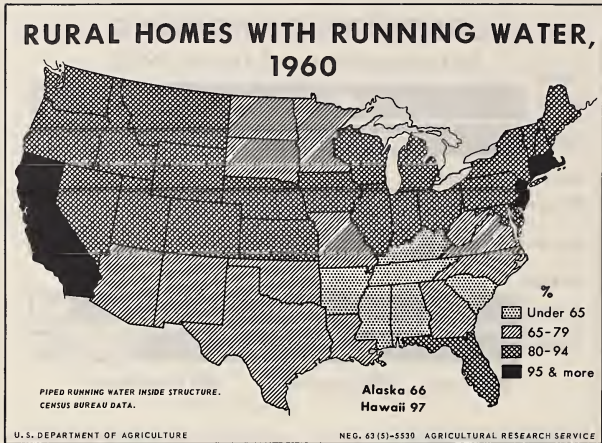


Chart 5

( \* - \* )

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

HOUSING, HOUSEHOLD FURNISHINGS AND EQUIPMENT  
Supplies, Prices, and Outlook for 1964

Talk by Mary Jane Ellis  
Consumer and Food Economics Research Division  
at the 41st Annual Agricultural Outlook Conference  
Washington, D.C., 2:00 P.M., Thursday, November 21, 1963

Maintaining the homes we live in takes a larger share of total spending than any other category of consumption. Urban families in 1960 spent 30 percent of their total expenditures for current living on housing, including furnishings, equipment and household operation. Equity in an owned home provides many of these families with their principal financial asset. Home mortgages (along with auto installment debt) constitute the largest item in the liability column. 1/ Thus, housing is an important item in family financial management.

In this paper, I shall first report some current developments in the supply of housing and trends in prices. Later, I shall summarize available information on price trends and new developments in household furnishings and equipment.

The housing inventory in this country stood at 58 million units in 1960. At that time the number of households was 53 million. From 1960 until the end of 1963 the net gain to the housing supply from new construction and conversion is estimated at about 5 million units. The net increase in households is estimated at about 4 million. Thus, the current supply allows for some households to have more than one residence and for some shifting of population. But housing is essentially a space bound commodity that must serve a geographically mobile population. As a consequence, at any one point in time or place the supply may not match demand even though the aggregate number of units exceeds the aggregate number of households.

Construction of new homes, rather than conversion, has been the biggest factor in the expansion of the national housing supply. The annual volume of new housing has increased each year in the 1960's, reaching a total of just under 1.5 million units in 1962. Thus far in 1963 the rate of building is ahead of 1962. May 1963 set a record high for nonfarm housing starts 2/ in the 1960's. Such high volume not only makes the construction business happy but is good news for consumers since new housing is usually superior to that which it replaces.

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1/ Data from the 1960 Consumer Expenditure Survey as reported by Helen H. Lamale in "Workers' Wealth and Family Living Standards," Monthly Labor Review, Vol. 86, No. 6, June 1963, pp. 676-686.

2/ In the Census Bureau's monthly C-20 reports, "Housing Starts," a housing start is defined as "the start of construction on a new housing unit, when located within a new building which is intended primarily as a housekeeping residential building designed for nontransient occupancy. Start of construction is defined as the beginning of excavation for the foundation of a building." Nonfarm housing starts account for about 98 percent of all housing starts. Separate tabulations of farm housing starts are not available.

Only a small proportion of new construction in the 1960's has been for the lowest income group. Federal, state, and local public housing projects added about 30,000 units to the housing supply in 1962--2 percent of all new nonfarm housing. Public housing starts thus far in 1963 are slightly ahead of those of 1962.

The backbone of new construction is in the single family house. This type of housing accounted for 73 percent of all nonfarm houses started in 1960-62. However the annual building rate for single family houses has been declining in the 1960's. On the other hand, the rate of apartment house construction has been increasing and has furnished much of the current housing boom. (See table 1.)

Table 1.--Privately owned nonfarm housing units started

Type of unit	1960	1961	1962	First 4 months 1963
All types (thousands) .....	1230	1285	1429	441
1-family units (thousands) .....	972	946	965	279
Share of total (percent) .....	79	74	68	63
Change from previous year (percent) ..	NA	-3	+2	NA
2-family units (thousands) .....	44	44	48	13 <u>1/</u>
Share of total (percent) .....	4	3	3	3
Change from previous year (percent) ..	NA	0	+9	NA
3-or-more family units (thousands) .....	214	295	415	149 <u>1/</u>
Share of total (percent) .....	17	23	29	34
Change from previous year (percent) ..	NA	+38	+41	NA

Note: Detail may not add due to rounding.

1/ Estimated distribution of total 162,000 2-or-more family units.

Source: U.S. Department of Commerce, Bureau of the Census.

Demographic, economic, and sociological reasons have been advanced to explain the apartment house boom (the 3-or-more-family unit structures shown in table 1 are considered apartment houses in this discussion). Apartment living offers advantage to young, newly-married couples and to older families--two groups that are expected to show relatively large increases in the next decade. Single-family houses, on the other hand, appeal to growing families, a group that is expected to show a relatively smaller increase in the next decade. The building industry is aware of these population trends. It is also aware of comparative construction costs. An apartment costs only 60 percent as much to build as a comparable single-family home.

Changes in the market for existing homes also determine the type of new construction. The housing shortage immediately following World War II curtailed some of the risks of homeownership. An owner could dispose of his home on short notice



and usually at a profit. As the supply of single-family homes has more closely approached effective demand, disposal of a house takes longer and hopes of any profit are foregone. It is this kind of situation that tips the scale in favor of a decision to rent rather than to buy. This is especially so for families that expect to be transferred by employers or to move for other reasons (an estimated one-fifth of the population moves each year).

In some areas the apartment house boom is seen as a reaction to inconveniences caused by urban sprawl and to mounting costs of homeownership. Others see apartment living, particularly in the choice luxury apartments, as a way out against crabgrass or as evidence of revived interest in the more sophisticated pleasures of the city!

There is a new trend within apartment building--the "high-rise" luxury class apartment in the suburbs for those who want the best of both worlds. Local governments in suburban areas are beginning to look favorably at this type of development. The high-rise apartment is a rich tax source and an efficient use of space. It requires less in the way of highways, fire protection and schools (since it attracts childless households) than a development of single-family homes.

Table 1 also serves to spotlight the trend in homeownership in the 1960's. The single-family units of housing starts data can be equated with the owner-occupied units of the Housing Census and the multiunit starts with the renter-occupied units. In the 1960's, an increasingly larger share of the new housing has been built for the renter family. This could mean a stabilizing of owner/renter ratios or even the beginning of a decline in ownership from the level of 1960 when 62 percent of all households lived in housing they owned.

More of the new nonfarm housing has been built in the West and South than in either the Northeast or the North Central regions thus far in the 1960's. The rate of increase in nonfarm starts has also been greater in the West and South than in other regions. (See table 2.)

Regional data, of course, blur the great differences that may exist among states within a region and among areas within a state. Housing starts are not published for individual states. However, Census does provide data on new residential construction authorized in permit issuing places. This building permit series covers about five-sixths of all starts and reveals the geographical pattern in building. In 1962, ten states issued 65 percent of these permits. In order of total permits issued the states were: California, New York, Texas, Florida, Ohio, Illinois, Virginia, New Jersey, Maryland, and Pennsylvania.

Growth in second homes.--Although by no means as common as the second car, the second home is considered to be on the increase. At a trade conference on vacation homes held here in Washington this past spring, vacation homes were estimated to comprise 6 percent of our total housing. Builders anticipate annual vacation home starts of 200,000 by 1970--largely in vacation home developments. The demand is expected to come from couples in their 40's who want a weekend place for their children now and a retirement home later. Apartment dwellers are considered good prospects for developments located not more than 3 hours driving time from the city being served. For rural communities that are so situated and that have or can develop the requisite recreational facilities, vacation home developments could well provide the business needed to bolster the local economy.

Table 2.--Nonfarm housing units started by region

Region	1960	1961	1962	1st quarter 1963
All (thousands) .....	1274	1337	1458	293
Northeast (thousands) .....	236	265	275	34
Share of total (percent) .....	19	20	19	12
Change from previous year (percent) ..	NA	+12	+4	NA
North Central (thousands) .....	299	281	285	33
Share of total (percent) .....	23	21	20	11
Change from previous year (percent) ..	NA	-6	+1	NA
South (thousands) .....	425	466	519	126
Share of total (percent) .....	33	35	35	43
Change from previous year (percent) ..	NA	+10	+11	NA
West (thousands) .....	314	321	379	100
Share of total (percent) .....	25	24	26	34
Change from previous year (percent) ..	NA	+2	+18	NA

Source: U.S. Department of Commerce, Bureau of the Census.

Maintaining the housing inventory--Maintenance, repair, and improvements that keep existing housing in the inventory cost the American consumer more than \$11 billion in 1962. (Comparable data from Census are not available for 1961 and 1960.) Urban renewal programs are credited with spurring interest in restoring houses of architectural value and in remodeling of other houses.

Installment credit has been fairly easy to obtain for home repairs and improvements. The estimated debt outstanding on repair and modernization loans in June 1963 was 14 percent greater than in June 1960 according to Federal Reserve Board reports.

Consumer response to housing industry activity may be measured by statistics on vacancy rates. The homeowner vacancy rate was 1.6 percent of the homeowner inventory for the third quarter, 1963. This was the first quarter in the 1960's to show a rate outside the range of 1.1 to 1.4 percent.

Vacancy rates in rental units rose from 7.2 percent in the first quarter to 7.6 percent in the third quarter, 1963. This is within the range of 7.2 to 8.1 percent for rental vacancy rates thus far in the 1960's.

Vacancy rates for both owned and rented housing are highest in the West and South, the regions where housing construction activity has been greatest. Like other housing statistics, vacancy rates can be very spotty and vary greatly within areas and within parts of a city.

Wholesale prices for construction materials and components rose about 1 percent from August 1962 to August 1963. This was primarily because of price advances for lumber and wood products. Several major lumber mills were closed due to labor disputes at a time when construction starts were high.

Labor costs have been moving upward in the 1960's. Average hourly earnings of workers in general building contracting were 4 percent higher in May 1963 than in May 1962. The Boeckh Index of Residential Construction (including both materials and labor costs) was 2 percent higher in July 1963 than in July 1962.

Consumer prices for housing have risen moderately in the 1960's. The housing component of the Consumer Price Index increased 1 percent from September 1962 to September 1963. In the subgroups of housing, rents also increased 1 percent in the same period; prices for gas and electricity showed no change; solid and petroleum fuels increased 2 percent; and household operation costs increased 3 percent. Prices for housefurnishings remained about the same. From June 1962 to June 1963 consumers also experienced a 1 percent rise in home maintenance and repair costs. Homeowners' property insurance rates increased 3 percent and interest rates on first mortgages declined 1 percent in the year ending in June 1963.

Home financing.--From a financial standpoint the American family's opportunities for homeownership have improved continuously in recent months. Federal Home Loan Bank Board summaries of conventional home mortgages (about 75 percent of the nonfarm home mortgage business) indicate a slight decline in interest rates in 1963 and considerable liberalization of terms. The trend thus far in the 1960's has been toward less use of government backed loans in the purchase of new homes.

Rising foreclosure rates, particularly for mortgages insured by the Federal Housing Administration, have brought warnings from Federal Reserve Board members against lowering mortgage standards, especially in those areas that seem to be overbuilt or have high vacancy rates. Foreclosure rates per thousand mortgages for 1960-62 have been:

	<u>1960</u>	<u>1961</u>	<u>1962</u>
All .....	2.65	3.62	4.12
Federal Housing Administration insured ...	3.02	6.29	9.27
Veterans Administration guaranteed .....	2.89	4.23	5.88
Conventional .....	2.48	2.77	2.34

Current developments in government.--The 1962 executive order concerning equal opportunity in the sale or rental of housing where Federal ownership or operation exists or where Federal financial assistance had been involved has recently been broadened to include provisions regarding fair employment practices by the builder. As of September 1963 only one builder has been suspended from further FHA-VA help because of practicing discrimination in the sale of homes. There seems to have been little real testing of the order. Some builders may be shifting to conventional loans to avoid the antibias pledge. In nine states this would not work since there are antidiscrimination-in-housing laws that apply even though financing is completely private. Eight additional states have antibias legislation that is tied to publicly financed housing. Two states and several cities have gone further in providing rules

for the revocation or suspension of licenses of brokers and salesmen found guilty of scare tactics to induce panic selling in neighborhoods subject to or undergoing racial or ethnic change.

This has been a "no housing" year as far as national housing legislation is concerned. At the state level, legislation to permit condominiums <sup>3/</sup> has been approved or is being worked on in 17 States, is pending in another 25.

Current developments in FHA construction standards.--During the past year the Federal Housing Administration approved the omission of cross bridging in floor joist spans of 15 feet or less. This does not affect floor strength in the average size house and will mean reduction in building costs. FHA standards have also been amended to require the use of safety glass in large sliding doors and shower stalls. Safety glass is more expensive than ordinary glass, but this ruling is a safety gain for consumers.

Current development in construction methods and materials.--The building industry, being composed of many small and widely scattered firms, has thus far been unable to develop a research program comparable to those of more centralized industries. The introduction of new techniques and materials is often hindered by building codes based on archaic specifications rather than performance standards and by builders and craft unions that resist change in the status quo. Despite these drawbacks there is always an impressive list of new methods and materials that show promise of ultimately benefiting the consumer.

Among methods and products designed to reduce hand labor and weather-influenced on-site construction costs are all-steel foundations, factory applied finishes to siding (one carries a 15-year guarantee), prefabricated sections that can be locked into place, molded plastic shower installations, and plastic piping for waste and water lines.

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<sup>3/</sup> In condominium ownership a person owns, separately, one or more single dwelling units in a multi-unit development and has an undivided interest with owners of the other apartments in common areas and facilities serving the building. Condominium ownership differs from cooperative ownership in these ways: in condominiums the individuals take title to their units, whereas in cooperatives, individuals own stock in the cooperative and have the right to occupy a specific unit; under condominium ownership individuals are taxed separately on their units and on their undivided interest in the common areas whereas in cooperatives, individuals pay a share of the taxes for the entire project; in condominiums, the individual is responsible only for the mortgage involving his own property and can arrange his own financing; his right to sell or lease his unit or units is customarily less restricted than that under a cooperative arrangement; and in condominiums individuals vote on a proportionate basis whereas under cooperative ownership each individual has one vote regardless of the size of his unit.



Other new products available are: vinyl coated steel doors with foam plastic cores that resist warping, keep a permanent finish, and offer better insulation; magnetic weather stripping for effective protection against wind and rain; and a pushbutton water system that controls temperature, pressure, and water flow and is reputed to eliminate leaks and dripping because the lines aren't under pressure. Many anticorrosive, antistain and water resistant materials are available for items ranging from utility connections, water heaters, and flues to kitchen cabinet surfaces.

Materials developed for commercial building use often have promise for the home: man-made marble and synthetic brick and slate flooring materials, acrylic window panes, and luminous ceiling installations are examples. Innovations in soundproofing materials and techniques are being adapted for diminishing noise transmission in houses. Window sashes of rigid vinyl and removable plastic grills that give a large window area the effect of many small or diamond shaped panes show promise for easing window cleaning problems.

Outlook.--The building industry considers that 1963 has been a good average year. The industry, however, is looking forward to a really big boom beginning somewhere between 1965 and 1970, when the World War II baby crop is having babies, bursting out of apartments, and looking for houses. Anticipation of this boom seems to prevent any great concern over increasing vacancy rates, increasing mortgage foreclosure rates, and higher costs of materials and labor.

In the more immediate future, consumer prices for housing can be expected to continue their slow upward movement. Mortgage money is expected to be plentiful and terms liberal as to length of maturity and ration of loan to price, with no great change in interest rates.

California is expected to continue as the boom area in home building. More emphasis is likely to be on developments of owned vacation homes.

#### Household Furnishings and Equipment

Production levels.--According to the Federal Reserve Board's index of industrial production of goods for the home, production has been generally upward in 1963 and at a higher level than in 1962. Production of black-and-white television sets and home radios lags behind that of other home appliances, furniture and rugs. Production of color TV sets is reported to be increasing faster than that of black and white sets.

Not all types of home appliances have been part of the production increase. According to trade sources, early shipments of washer-dryers, floor polishers, wringer and spin-type washing machines, dehumidifiers and chest freezers were smaller this year than in 1962. Shipments of all other major items increased at least moderately. Air conditioners, portable dishwashers, phonographs, vacuum cleaners, and refrigerators went well above their 1962 rates.

Consumer buying of furniture and appliances corresponds closely to housing activity. Retail sales of furniture and home furnishings stores in June 1963 were 5 percent above June of 1962. Sales in household appliance, TV, and radio retail outlets were 7 percent greater in June 1963 than June 1962.



Users of installment plans now find that downpayments are either not required or have been substantially reduced. Payments for large appliances and furniture at some retail stores may now be stretched over 36 months, instead of the usual 24.

Wholesale prices for furniture and some other household durables rose slightly in the year ending September 1963. During this same period floor coverings showed little change in price; household appliance prices declined 2 percent; and prices for television sets, radios, and phonographs declined 3 percent.

As mentioned earlier, retail prices for housefurnishings in September 1963 were about the same as in September 1962. This represents a tapering off in the slight downward movement that has occurred in this category since 1960. As of June 1963 the downward movement was continuing for prices of wool carpets, nylon carpets, and particularly for appliances. However, their downward movement was being offset by rising price levels for Axminster rugs, dinnerware, and such small items as paper napkins, and electric light bulbs. Prices for television sets and radios declined 2 percent in the year ending in June 1963.

Recent legislative developments.--As of late October 1963, a subcommittee of of the Senate Committee on Banking and Currency had held hearings on the "Truth in Lending Bill" in New York City, Pittsburgh, and Louisville. A hearing was scheduled for Boston in November 1963. Probably of equal importance to consumers is the Quality Stabilization bill, which is another attempt at federal fair trade legislation. This bill would permit a manufacturer to announce the conditions governing the use of his trademark and sale of his brand name products. It would permit setting a minimum sales price if the product is in free and open competition with other products intended to serve the same purpose. A manufacturer could deny the use of his trade mark or brand name on merchandise to a retailer who has not observed his conditions. The bill is opposed by consumer groups and various departments of the executive branch, but is reputed to have a good chance of passing Congress. If it does, a presidential veto is expected and there are doubts that the veto could be overridden.

New developments in appliances.--Since the saturation point has been reached or is in sight for such appliances as refrigerators, radios, and washers, manufacturers have been promoting the buying of second units as well as stressing obsolescence. For such items as dishwashers, waste disposers, dryers, humidifiers, and dehumidifiers the market has a long way to go before saturation. Therefore, the sales pitch is in terms of making these items seem necessary to the consumer.

In kitchen ranges, automatic features are being stressed such as "programmed cooking" in which the product is baked for the set temperature and time and then held at a lower temperature presumably to give some leeway in serving time. One new electric range has an easy-to-care-for feature--an oven with removable side and back panels coated with "Teflon." Another new electric range cleans its oven itself. By operating at a temperature of approximately 900 degrees during the cleaning period, it reduces oven soil to easily removed ash.

Electronic advances developed for guided missiles are being applied to automatic washers. This use of solid state circuitry (incorporated in what the trade refers to as "a little black box") permits a greater range of motor speeds than previously possible (in washers the ability to give a gentle hand washing action for example). It also means greater reliability, and less servicing as well as easier service when it is needed. High cost and other development problems limit use at present, but the little black box should give rise to household appliances much more flexible than present models in the jobs they will handle.

Thermoelectric refrigerators have been introduced on the market recently. There are models for use in the recreation room, the office of a business executive, and the family car.

New items in small appliances are an iron with its own headlight for showing the user where the wrinkles are, and a cordless electric mixer with a rechargeable battery pack that may well be the forerunner of other cordless household appliances. In an effort to boost sales, manufacturers anxiously strive to find a "hot" item such as the portable hooded electric hair dryer of last year. An alternative is to dress up the old appliances in attractive "new" colors or to restyle them for buffet table use as has been done with the hot plate and coffee urn.

In the field of television, radio, and phonographs, restyling has also been occurring. Record players are turning up in coffee tables and desks.

There has also been a big promotion of small screen portable TV sets selling at under \$100. They are produced in competition with Japanese imports. Sales promotion is being directed at the need for a second set and at the teen-age market.

Beginning on May 1, 1964, all TV receivers manufactured must be of the all-channel type to permit receiving UHF (ultra-high-frequency) telecasts. Resulting price increases are estimated to be \$20 to \$30 per set. UHF receiving is much freer from both man-made interferences and co-channel and adjacent channel interference than VHF (very-high-frequency), but UHF does not transmit as far and requires more sensitive tuning adjustments.

Color television is supposed to be ready for the great break-through. Sets were reduced in price this past year and are being advertised by one of the major mail-order houses for the first time. Technical problems in the sets are still a drawback, however, as is the scarcity of color programming by the networks.

Outlook for family purchase and prices of household furniture and appliances.--  
Consumer buying intentions as reported in the quarterly survey in July 1963 suggest that the consumer attitude was slightly more optimistic than it had been a year earlier. Both producers and retailers in the household durables industries were also optimistic and looking for slight gains. Increasing population and increasing income are expected to keep up the market. The increase in the minimum wage effective September 1963 is expected to affect furniture manufacturers through increasing the cost of lumber. However, furniture prices are not expected to advance much.









UNITED STATES DEPARTMENT OF AGRICULTURE  
Farmers Home Administration

Panel Discussion on "COMMUNITY ASPECTS OF HOUSING"

Talk by

Henry A. Palm, Director, Soil and Water Loan Division  
at the 41st Annual National Agricultural Outlook Conference, Washington, D.C.,  
November 21, 1963, at 2:45 p.m.

It is certainly a pleasure for me to be with you today and to have an opportunity to join this panel to discuss aspects of rural housing and in particular to Water Supply, Waste Disposal, and Fire Protection in rural communities.

Running water in a home is considered a necessity for modern, healthful living. It is the prerequisite to such things as flush toilets and a ready supply of hot water for bath and kitchen. These days, ample supplies of water for drinking, cooking, and cleaning, and for the lawn, flower garden and livestock are readily available to most of us. I would vouch that all of us here today just have to turn on the tap in our home or apartment to get ample water of a good quality. Such may not have been the case in our homes or the community where we were raised. Out in the countryside, on farms, and in many rural communities, the families don't enjoy the blessings of a dependable water supply and are forced to use shallow wells or cisterns or to haul water a long distance to their homes. Also, wells, small streams, and reservoirs, have a habit of going dry or becoming contaminated, and this year has been a good example of how drought affects the water supply. Anyone who has ever hauled water, waited for it to rain so it could be caught off the roof, or pulled a bucket full from a well or spring knows inconvenience of such methods.

Water requirements of the rural family are continually rising, and in many cases exceed the capacities of existing facilities. As the use of water increases it further aggravates the problem of disposal and pollution. A few years back, and even today in some areas of the country, rural families depend on a septic tank, cesspool, or open field for disposal of human and livestock wastes.

What is the situation in the rural community today? These are the communities where you out there, and all of us here, have direct contact and can let people know what services are available to them to develop or improve a community water supply or a sanitary disposal system. Have you gone into any rural home lately and been afraid or reluctant to drink the water the family offered you? Have you noticed any signs when entering a small village, "water supply approved by state health department", or, "water supply not approved", or "contaminated"?

Without a water supply that is adequate and of good quality, a community will not grow. New houses will not be built, new industries will not spring up, and older homes will not have modern fixtures. In fact, most small communities lose population if an adequate central water supply is not developed.

You notice I mentioned central or community water supply, and perhaps I should elaborate on this point. I think it is high time that we stamp out the idea that installation of a water system is usually an individual problem as contrasted to the prevalent idea that electrical service is a community concern. Where water is a problem it is generally too big a problem for the individual to solve alone. He must, therefore, join with his neighbors to develop a source of water and a distribution system. The same is generally true with regard to community disposal systems. I visited an area last August in Louisiana where there was no surface water, and well water was difficult and expensive to find. The estimated cost of just drilling and casing a well was \$26,000.

What is the situation in the state where you come from? Nationally there are about 15,000 rural towns with populations of 100 or over that do not have community water systems. In most instances these towns also lack sewage disposal systems and fire protection. (Refer to Attached Map) To get the names of these communities you can refer to the U. S. Public Health publication, Municipal Water Facilities Inventory as of January 1, 1958.

The rapid expansion of suburban areas and rural residents into farm communities, together with the increased demand for modern living has resulted in a large increase in the use of septic tanks for waste disposal. Increased use of septic tanks where soil is inadequate for a proper disposal field is continuing. Approximately 14 percent of rural dwellers have sewage disposal systems available to them and about 56 percent use septic tanks for waste disposal, leaving around 30 percent of the rural families without either of these forms of sewage disposal facilities. (See chart).

New technology in animal and poultry production is demanding greater supplies of water and more practical means of disposal of large quantities of animal and human waste. Improper disposal of these wastes contributes to the sanitation problems, affects the health of people and animals, and contaminates water supplies. Flies, dust and odors further aggravate the problem.

Research on water requirements for rural families, design of water systems and sanitary disposal systems is presently grossly inadequate, and should be given immediate attention.

Mrs. Holmes mentioned that the 1960 census showed that individual wells were the source of water for eight out of ten farms and five out of ten rural nonfarm homes. Also, about one out of every ten rural homes--farm and nonfarm--used water from springs, creeks, rivers, ponds, lakes, and rooftops. Just a short time ago a very simple and inexpensive treatment plant resulted in adequate safe water for the rural home. However, the increase in population density in many rural areas, coupled with the increased use of detergents and chemicals is rapidly affecting this situation and has eliminated streams as a safe source of water.

The quality of water in rural areas is also affected by the increased demand for domestic and livestock water, and in many areas the increased use of irrigation water and industrial water. The proper and prudent use of irrigation and industrial water becomes the concern of all water users. For example, over-irrigation, improper application of water, and improper disposal of wastes and effluents adversely affect the quality of surface and ground water in both the immediate and downstream areas. The wider development of recreation on farms and in rural areas will further aggravate the problems of water quality, water pollution, and sanitation.

Research is urgently needed to determine design standards for structural, fire and accident safety appropriate to activities and conditions in rural areas and to incorporate these standards into building codes. Farm fire losses are increasing--presently amounting to about 175 million and 800 lives annually. The burning rate (percent of value destroyed) was about six times that for urban property according to annual reports of state fire marshalls in Illinois, Nebraska, and Oregon.

Protection against fire is one of the important justifications for a waterworks system in a small town. The total amount of water used in a year for extinguishing fires is a negligible part of total consumption. The rate of flow needed to fight a fire is so great that the design of a total water system with full fire protection in mind may often be the deciding factor of economic feasibility.

Small rural communities and rural families are confronted with insufficient sources of available credit for financing water supply, waste disposal systems and fire protection. For example, rural communities have almost no source of credit for group waste disposal facilities, and very little for fire fighting equipment.

There are many other factors contributing to the problem, but let's discuss for a moment how you can assist rural communities that need and want to develop a central water supply and distribution system.

The Department, through the Farmers Home Administration and its predecessor agencies, has, for over 25 years, assisted farmers and ranchers with individual water systems, individual waste disposal systems, and community water systems. Home agents and County Agricultural Agents have in many instances been the prime movers in getting the program underway.

Since the passage of the Agriculture Act of 1961, the Farmers Home Administration has also assisted rural residents, as well as farmers, with these facilities. Prior to 1954, FHA loans to develop community water supplies were limited to the 17 western states. The biggest demand today for such loans comes from the South, Midwest and Northeast. The Farmers Home Administration currently has no statutory authorization for loans for rural community waste disposal systems. We do advance funds for fire plugs and to construct ponds to store water for fire fighting purposes. We cannot loan for fire fighting equipment, fire trucks, or for buildings to store such equipment. During the 1962 fiscal year, the Farmers Home Administration, through its soil and water loan program, assisted nearly 100 rural communities to install community domestic water systems. This increased to about 140 loans in fiscal year 1963, and at the present rate of loan obligation, will likely exceed 200 in this fiscal year 1964.

Through this program, low-cost, long-term loans are made to small towns, districts, and nonprofit groups in rural areas for technical service for equipment, and construction necessary to provide piped-in water for homes, farms, businesses, schools, churches, and other establishments.

Secretary Freeman says: "Loans to rural groups for water systems have a direct, immediate impact on a community's development and housing.

They provide a fundamental resource--ample supplies of clean water--in the development of rural businesses and industries. They help stabilize households and promote more satisfactory family living. They greatly improve health and sanitation conditions in the community.

Water association loans of the Department are made at little cost to the U. S. taxpayer, for they are repaid with interest. Without question, these loans are among the best investments we can make in the development of rural America"

The experience of 37 Negro families living in a small community near Somerville, Texas is a good illustration of Secretary Freeman's point. A few years ago these families lived well beyond the water lines that supplied Somerville. They had built cisterns to catch the rain water. When it didn't rain--not an unlikely happening in the area--they were forced to haul water.

This lack of a dependable water supply placed an especially heavy burden on the wives and mothers in the community. In dry seasons, they would be forced to skimp on water for washing clothes, forget about cleaning up the houses, even ration out the baths.



Late in 1961 Mrs. John R. Reliford, a leader in the community, found out about Farmers Home Administration loan program. She and other women in the community helped their men set up the "Somnerville Rural Water Association." Each of the 37 families bought a \$35 share of stock in the association and by early June 1962, the community's contribution totaled \$1,260. With members of the Association meeting their commitments under the program, the Farmers Home Administration agreed to guarantee a \$24,000 loan from a local bank. The funds were made available late in 1962, to employ a contractor whose crew laid over two miles of water lines in connecting with the central system of Somnerville. Thirty-seven homes in the community were tied into the line, and several fire hydrants were installed, a major improvement in the community's fire protection.

In Henryville, Indiana, lack of an adequate community water supply was putting a damper on the development of the entire area. Families were moving away. Businesses requiring large supplies of clean water could not expand. Churches, schools, and other community institutions all suffered the blight of scarce and polluted water. They lacked water for fire protection. A \$400,000 loan from Farmers Home Administration changed all that. It financed pumping equipment, water lines, meters, storage tank, fire plugs, and labor necessary to provide central water service for 240 families and others in the community.

In Stanly County, North Carolina, Pfeiffer College, a 1,000-student liberal arts institution serving a primarily rural area, obtained a clean, dependable supply of water for the first time as a result of a Farmers Home Administration loan to a local water association. The college would have been forced to close its doors if an adequate water supply had not become available.

The chronic problem of illness among small children resulting from impure water in a New Mexico village was corrected through another loan.

The list of benefits derived from this Farmers Home Administration program is nearly inexhaustable. However, in nearly every case new homes are constructed and older homes are remodeled.

Loans for rural water systems are scheduled for repayment according to the borrower's ability to repay, over a period not exceeding 40 years. The interest rate varies between  $4\frac{1}{2}$  and 5 percent depending on the type of loan.



Loans average around \$100,000, but vary considerably in size, depending upon the needs of the applicants. An association's total indebtedness may not exceed \$500,000 when the loan is made from appropriated funds and \$1,000,000 when made from insured funds. Since early in 1961 the Farmers Home Administration has loaned funds or insured loans for 260 of these rural community water systems. These loans have made living more comfortable, convenient and healthier for thousands of families.

These are examples of how the Farmers Home Administration soil and water association loans are helping to improve housing in rural areas and in making the rural communities a better place to live. Each of you have, no doubt, contributed to these improvements, but through the RAD approach, individual contact, and existing local and state organizations, all of us must continue to let people that want to help themselves and their communities know what services are available to them.





# THE FARM INDEX

October 19

ECONOMIC RESEARCH SERVICE • U. S. DEPARTMENT OF AGRICULTURE

FOOD  
FOOD  
FOOD



FOOD  
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FOOD

## SUPERABUNDANCE<sup>AT THE</sup> SUPERMARK

SPECIAL FEATURE: MAN, LAND AND FOOD

FOOD  
FOOD  
FOOD  
FOOD  
FOOD

# ECONOMIC TRENDS

Item	Unit or base period	'57-'59 Average	1962		1963			
			Year	August	June	July	August	
<b>Prices:</b>								
Prices received by farmers	1910-14=100	242	243	244	241	245	242	
Crops	1910-14=100	223	230	228	244	239	234	
Livestock and products	1910-14=100	258	255	257	239	249	249	
Prices paid, interest, taxes and wage rates	1910-14=100	292	306	305	311	312	311	
Family living items	1910-14=100	286	294	294	298	299	298	
Production items	1910-14=100	262	269	268	272	273	273	
Parity ratio		83	79	80	77	77	78	
Wholesale prices, all commodities	1957-59=100	.....	100.6	100.5	100.3	100.6	100.4	
Commodities other than farm and food	1957-59=100	.....	100.8	100.6	100.6	100.8	100.8	
Farm products	1957-59=100	.....	97.7	97.6	94.9	96.8	96.3	
Food, processed	1957-59=100	.....	101.2	101.5	102.4	102.2	100.9	
Consumer price index, all items	1957-59=100	.....	105.4	105.5	106.6	107.1	.....	
Food	1957-59=100	.....	103.6	103.8	105.0	106.2	.....	
<b>Farm Food Market Basket:<sup>1</sup></b>								
Retail cost	Dollars	1,037	1,067	1,068	1,069	1,088	.....	
Farm value	Dollars	410	410	412	385	403	.....	
Farm-retail spread	Dollars	627	657	656	684	685	.....	
Farmers' share of retail cost	Per cent	40	38	39	36	37	.....	
<b>Farm Income:</b>								
Volume of farm marketings	1947-49=100	123	136	138	109	130	139	
Cash receipts from farm marketings	Million dollars	32,247	35,921	3,019	2,291	2,781	2,950	
Crops	Million dollars	13,766	15,935	1,329	815	1,197	1,310	
Livestock and products	Million dollars	18,481	19,986	1,690	1,476	1,584	1,640	
Realized gross income <sup>2</sup>	Billion dollars	.....	40.8	.....	40.6	.....	.....	
Farm production expenses <sup>2</sup>	Billion dollars	.....	28.2	.....	28.6	.....	.....	
Realized net income <sup>2</sup>	Billion dollars	.....	12.6	.....	12.0	.....	.....	
<b>Agricultural Trade:</b>								
Agricultural exports	Million dollars	4,105	5,031	359	506	410	.....	
Agricultural imports	Million dollars	3,977	3,876	330	323	335	.....	
<b>Land Values:</b>								
Average value per acre	1957-59=100	.....	118 <sup>a</sup>	120 <sup>a</sup>	123 <sup>a</sup>	127	.....	
Total value of farm real estate	Billion dollars	.....	137.4 <sup>a</sup>	139.5 <sup>a</sup>	143.6 <sup>a</sup>	148.1	.....	
<b>Gross National Product<sup>2</sup></b>								
Consumption <sup>2</sup>	Billion dollars	456.7	554.9	552.4	579.6	.....	.....	
Investment <sup>2</sup>	Billion dollars	297.3	355.4	352.9	370.4	.....	.....	
Government expenditures <sup>2</sup>	Billion dollars	65.1	78.8	79.6	80.7	.....	.....	
Net exports <sup>2</sup>	Billion dollars	92.4	117.0	115.5	123.8	.....	.....	
	Billion dollars	1.8	3.8	4.4	4.8	.....	.....	
<b>Income and Spending:</b>								
Personal income	Billion dollars	.....	442.1	444.6	462.6	464.6	464.9	
Total retail sales <sup>3</sup>	Million dollars	.....	19,613	19,671	20,486	20,759	20,767	
Retail sales of food group <sup>3</sup>	Million dollars	.....	4,801	4,848	4,923	5,015	.....	
<b>Employment and Wages <sup>3</sup></b>								
Total civilian employment	Millions	.....	67.8	68.1	68.6	69.2	68.9	
Agricultural	Millions	.....	5.2	5.1	4.9	5.0	4.8	
Rate of unemployment	Per cent	.....	5.6	5.7	5.7	5.6	5.5	
Workweek in manufacturing	Hours	.....	40.4	40.2	40.5	40.4	40.3	
Hourly earnings in manufacturing, unadjusted	Dollars	.....	2.39	2.37	2.46	2.45	2.43	
Industrial Production <sup>3</sup>	1957-59=100	.....	118	119	126	127	126	
<b>Manufacturers' Sales and Inventories:</b>								
Total sales, monthly rate <sup>3</sup>	Million dollars	.....	33,260	33,290	35,150	35,910	.....	
Total inventories	Million dollars	.....	57,210	56,970	58,770	58,980	.....	
Total new orders, monthly rate	Million dollars	.....	33,050	32,830	35,000	35,460	.....	

<sup>1</sup> Average annual quantities of farm food products based on purchases per wage-earner or clerical-worker family in 1952—estimated monthly.

<sup>2</sup> Annual rates seasonally adjusted second quarter. <sup>3</sup> As of March 1.

<sup>4</sup> As of July 1. <sup>5</sup> Seasonally adjusted.

Sources: U.S. Department of Agriculture (Farm Income Situation, Market-

ing and Transportation Situation, Agricultural Prices, Foreign Agricultural Trade and Farm Real Estate Market Developments); U.S. Department of Commerce (Industry Survey, Business News Reports, Advance Retail Sales Report and Survey of Current Business); and U.S. Department of Labor (The Labor Force and Wholesale Price Index).



# THE AGRICULTURAL OUTLOOK

Prices received by farmers so far this year are little changed from 1962—slightly higher for crops but a little lower for livestock and products.

Farmers are producing more livestock than in 1962. Increases in beef, pork and poultry are more than offsetting decreases in milk and eggs. Livestock and product prices dipped earlier this year, then recovered somewhat in June and July. But prices for the year probably will be under the 1962 level.

Crop prices received by farmers are running slightly higher this year because of a relatively favorable supply and demand situation. Indicated crop output for the year is about the same as in the last 3 years; domestic and foreign demand continue to increase. For the rest of 1963, prices likely will average a little below the first 3 quarters, but for the year will average above 1962.

Output, employment, income and sales continue to increase in the U.S. economy though the pace slackened slightly during the third quarter. In August, personal income rose slightly from July to a record-high \$465 billion (seasonally adjusted

annual rate) and new construction expenditures edged up to \$65 billion. Retail sales in August were about the same as the \$20.8 billion sales a month earlier. Employment and output each dipped a little in August . . . the declines largely reflected temporary changes in August by more than the small reduction in employment leading to the lowest monthly rate of unemployment recorded so far this year.

In the past few months, the general level of business activity has been around 5 per cent above 1962 levels. In June-August, personal income totaled 5 per cent higher than a year earlier, with increased compensation of employees accounting for most of the rise. Industrial output and retail sales were each up nearly 6 per cent from June-August 1962 and new construction increased more than 3 per cent. Employment expanded about in proportion to the increase in population.

Further advances in the level of business activity are in prospect . . . inventories continue well in line with sales and, according to a July survey by the Bureau of the Census, consumers planned to buy more new cars, refrigerators, television sets and other durable goods in the next 12 months than they had planned in July 1962.

## CONTENTS

	<i>Page</i>
THE FARM	5
RURAL LIFE	13
MARKETING	15
THE FOREIGN MARKET	17
THE CONSUMER	21
SPECIAL FEATURE	23
RECENT PUBLICATIONS	31

Numbers in parentheses at end of stories refer to sources listed at end of issue.

The Farm INDEX is published monthly by the Economic Research Service, U.S. Department of Agriculture, October 1963, Vol. II, No. 10.

The contents of this magazine are based largely on research of the Economic Research Service and on material developed in cooperation with state agricultural experiment stations. All articles may be reprinted without permission. For information about the contents, write the editor, The Farm INDEX, Office of Management Services, U.S. Department of Agriculture, Washington, D.C. 20250.

Use of funds for printing this publication approved by the Director of the Bureau of the Budget, May 24, 1962. Subscription orders should be sent to the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Price 20 cents (single copy). Subscription price: \$2.00 per year; 75 cents additional for foreign mailing.

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## COMMODITY HIGHLIGHTS

**Hog** slaughter in the final quarter of 1963 probably will be slightly above a year earlier, reflecting the additional 1 per cent of pigs saved in December 1962-May 1963. Barrow and gilt prices likely will be slightly below a year earlier (\$16.51 at 8 major markets in October-December 1962).

Fat **cattle** marketings during the fourth quarter likely will be above last year. Prices are expected to stay near the July-August level—\$24.66 for Choice steers at Chicago.

Fourth quarter cow slaughter likely will be only a little above a year earlier . . . was about the same as 1962 during the first 7 months this year.

Slaughter of **sheep and lambs** in the fourth quarter is expected to average somewhat below a year ago. Lamb prices may be off somewhat from October-December 1962 when Choice slaughter lambs at Denver brought \$20.09.

Milk production in 1963 likely will be slightly below 125.9 billion pounds in 1962. Lower production and more commercial demand the first 8 months this year cut CCC purchases (delivery basis) about 25 per cent from a year earlier. August butter output dropped 10 per cent from 1962, while American cheese production increased about 9 per cent.

Turkey supplies in the September-December marketing season are expected to go a little below a year earlier. On September 1 there were 153 million pounds in cold storage, compared with 160 million a year earlier. Prices to producers likely will average slightly above the 22 cents per pound last year.

Egg production during the summer went above 1962, is likely to continue above in the fourth quarter. And early 1964 output may also be up—a large increase in the out-of-season hatch of replacement chicks is expected. Producer prices in August averaged 32.8 cents per dozen compared with 31 cents in July and 32.7 cents in August 1962.

A recent reduction in broiler hatchery activity suggests that fourth quarter broiler supplies will not differ greatly from a year ago. However, production may increase in early 1964 if the usual seasonal rise in broiler chick output develops over the next few months. Producers received 14.4 cents for broilers in August compared with 14.7 cents in July and 15.5 cents last August.

Feed grain production in 1963 is up an estimated 5 per cent from last year. Per acre corn yields may be the highest ever and production may surpass the record-high 3.91 billion bushels in 1960. Estimated grain sorghum output is 2 per cent above last year.

The total feed grain supply in 1963-64 is estimated at 211 million tons, 4 million less than in 1962-63 and slightly below the 1957-61 average. Carryover has been trimmed about 24 million tons during the last 2 years, reversing a 10-year up-trend. A further but more moderate decline is expected in 1963-64. Feed grain prices advanced more than seasonally during 1962-63 . . . the index of prices received by farmers in August was 11 per cent above a year earlier. A price decline is expected during the next 2 months, with corn and grain sorghum harvest underway. And prices this fall and winter may decrease to last winter's level.

The 1963 cotton crop was estimated September 1 at 14.3 million bales, about 4 per cent below a year earlier, but 9 per cent above the 1957-61 average. Acreage for harvest is down from 1962. But per acre yields are up sharply—estimated at a record-high 482 pounds—from 457 pounds last year.

Cotton disappearance in the 1963-64 crop year is put at 13.8 million bales, up about 2 million from a year earlier. Mill consumption and exports are expected to increase. But carryover in 1964 probably will increase also as production continues ahead of demand.

Soybean production for 1963 is forecast at 728 million bushels—record-high and 8 per cent over last year. Prices farmers receive for soybeans this fall probably will be above the 1963 support rate of \$2.25 per bushel. Prices later in the 1963-64 marketing year may advance more than seasonally because of the close balance expected between supply and demand.

Soybean crushings and exports during 1963-64, despite the increasingly strong domestic and export demand for meal, probably will go only slightly above 1962-63 when production was supplemented by a larger carryover. Carryover of 1962-crop beans has dwindled to a minimum level; the same condition may prevail next October.

Heavy disappearance of wheat in 1963-64 is expected; the year-end carryover probably will be reduced for the third straight year. Prices likely will average near the \$1.82 per bushel loan rate, but may drop late in the marketing year in anticipation of a much lower support rate on the 1964 crop.

Tree nut production in 1963 is the largest on record at an estimated 306,000 tons. This is 14 per cent above the previous high in 1961 and 37 per cent above the average. Pecans lead the increase with the largest crop on record.

Cigarette consumption in 1963 is estimated at about 523 billion—nearly 3 per cent above 1962 and a record high. Consumption of cigars and cigarillos is expected to total about 7,170 million—a gain of about 1.5 per cent over 1962 and the highest in 40 years. Exports of unmanufactured tobacco—the outlet for about a fourth of the crop—may be up about 8 per cent from the relatively low level of 1962.



## NEW MARKS FOR FARM OUTPUT

*The 1962 report indicates farmers made even higher score on output of crops and livestock, yield per acre and productivity than were recorded in 1961.*

It's the same old record breaking story. In 1962, agriculture reached new peaks in total volume of output, production of livestock and products, crop output per acre and agricultural productivity. Once again, the new marks were set with fewer hours of labor and fewer acres. As the result of their efforts, each farmworker was able to feed and clothe one more person than was possible a year earlier.

**Farm output and production.** The volume of total farm output in the U.S. hit a new peak during 1962, 1 per cent greater than in 1961 and 8 per cent higher than the 1957-59 average.

Production of livestock and products also reached a new mark, 1 per cent above the previous high in 1961 and 7 per cent over the 1957-59 average. Farm output of meat animals totaled 52.2 billion pounds liveweight. Milk production was nearly 126 billion pounds. However, total production of poultry and eggs

declined as the reduced output of farm chickens and turkeys more than offset the record supply of broilers and a slight increase in eggs.

Crop production during 1962 equaled the previous high in 1960. Output was 1 per cent greater than in 1961 and 8 per cent higher than the average for 1957-59. Record production of hay and forage, sugar crops and oil crops was obtained while output of food grains, vegetables, fruits and nuts declined from a year earlier.

**Crop acreage harvested.** Crops were harvested from a total of 295 million acres in 1962. Cropland harvested was 8 million acres less than in 1961 and 54 million under the total a decade ago.

An estimated 63 million acres was used for producing exports in 1962 compared with the record of 67 million in 1961. Most of the cut was due to declines in shipments of wheat and cotton which more than offset the larger exports of soybeans and soybean oil.

Food grains accounted for 39 per cent of acreage grown for export during 1962, feed grains made up 27 per cent, soybeans 21 per cent and cotton 7 per cent.

**Crop production per acre.** Output of crops per acre reached a new high in 1962, 4 per cent over the previous year and 17 per cent greater than the 1957-59 average. New yield records were set for all the feed grains.

Assisting the improvement in yields was a 7 per cent increase in use of fertilizer on farms. As in recent years, the gain in use of nitrogen was substantial—an increase of about 11 per cent over 1961. Little change was noted in applications of liming materials.

**Livestock production per breeding unit.** Animal units of breeding livestock increased during 1962 for the second year in a row. The number on farms as of January 1, 1962, was 1 per cent over the same date in 1961. Production per unit continued at the record level of 1961.



## FARM INPUTS (1957-59 = 100)

Year	Total inputs	Farm labor	Farm real estate	Mechanical power and machinery	Fertilizer and liming materials	Feed, seed and livestock purchases	Miscellaneous
1910	82	212	88	20	12	16	56
1920	93	226	92	32	16	23	67
1930	97	216	91	40	21	26	76
1940	97	192	92	42	28	45	73
1950	101	142	97	86	68	72	85
1960	101	92	100	100	110	109	106
1961	101	89	100	99	114	116	109
1962 <sup>1</sup>	101	85	100	96	123	120	111

<sup>1</sup> Preliminary

## Farmers Keep on Breaking Records Without Adding to Production Inputs

Breaking production records is nothing new in agriculture. But the fact that farmers continue to set new peaks in output without changing the overall total of production inputs is noteworthy.

Although production in other parts of the economy also has climbed remarkably during the last 30 years, a corresponding increase in items necessary to produce went with the increase.

However, within the sum of farm inputs, quite a few changes have occurred. Generally, non-labor items have taken the place of labor, while the amount of farmland has remained nearly stable. Farmers today use more and more mechanical power, fertilizer and lime, feed, seed and livestock to turn out food and fiber than they did in the late twenties and early thirties. Most of these technological changes require the use of more capital.

The major reason for changes in production items is price—both in comparison to earlier price levels and relative to substitutes. For instance, much of the increased use of fertilizer can be accounted for by the prices for it through the years.

Prices of production goods and services often change in response to technological shifts outside of agriculture. Obviously, most of the prices for production items are beyond the farmer's control but he can and does change the amounts he uses. The measure of the general level of these prices is the index of prices paid.

Changes in inputs have had some other effects. For instance, more machinery and better use of it enable farmers to get crops planted and harvested in much less time. New crop varieties with shorter growing seasons and increased knowledge of soil and water management also have reduced the hazards of weather. (2)

Feeding of all classes of livestock continued to be liberal through 1961-62. Feed efficiency dropped slightly for all classes except milk cows.

*Man-hours of farmwork.* Labor used on farms reached a new low of 9.1 billion man-hours in 1962, a decrease of 4 per cent from the previous year and a continuation of the long-term trend.

Growing and harvesting of crops took about 4.2 billion man-hours last year and work with livestock required 3.7 billion. The remaining time was spent on farm maintenance and other overhead work.

Farm output per man-hour of labor in 1962 was almost 6 per cent higher than in 1961.

*Persons supplied farm products by one farmworker.* The average farmworker produced enough food, fiber and tobacco during 1962 to supply himself and almost 28 other people. Close to four of these consumers were citizens of foreign countries. Since 1950, each farmworker has managed to supply more than one additional consumer each year.

*Farm inputs.* The total value of agricultural inputs continued at the same level in 1962 as in 1961 and 1960. However, farmers

are increasingly dependent on the nonfarm sector of the economy for production goods and services. This trend reflects the increased specialization and use of improved practices in farming. During 1962, the volume of purchased inputs was 7 per cent higher than that of 1957-59. The purchased items accounted for over two-thirds of all measured inputs.

Although the use of agricultural inputs remained stable during 1962, they were the most productive on record. Farm output per unit of input was 7 per cent greater than the 1957-59 level. (1)

## MAN-HOURS OF LABOR USED FOR FARMWORK

Year	Total man-hours	Index 1957-59=100
	Millions	
1910	22,547	212
1920	23,995	226
1930	22,921	216
1940	20,472	192
1950	15,137	142
1960	9,825	92
1961	9,473	89
1962 <sup>1</sup>	9,085	85

<sup>1</sup> Preliminary

## Farmers Put Up More New Barns, More Storage Buildings Than Homes

As might be expected, operators of large farms build considerably more new structures than do farmers with smaller operations. In 1958-60, farmers with annual marketings of \$40,000 or more constructed 71 new buildings per 100 farms. At the other end of the size scale, farmers with less than \$2,500 in annual sales built only eight new structures per 100 farms during the same period.

The new structures on the small farms were more apt to be dwellings—these averaged about a fourth of all new buildings. For all other farms—those with more than \$2,500 worth of marketings annually—dwellings were only a tenth of the buildings added from 1958 to 1960.

Of all farm buildings built within the three-year period, nearly a fourth were barns of different types. Next in importance were grain storages—they were one-fifth of all farm buildings

erected during 1958-60. Dwellings came in third place, followed by machine sheds.

Lumber continued to be the most important material for exterior walls and framing. Masonry was used for at least part of the exterior walls on nearly half the dairy barns and close to a third of the dwellings. Metal and composition together were the materials used for 90 per cent of the new roofs. Metal was by far the most popular roofing for service buildings while composition materials were used for most of the houses. (3)

## Models Show Price Change Effect For Cotton and Alternative Crops

There's one obvious way to get farmers to grow more of a commodity—raise the price. It's almost as effective, though not quite, to lower the price of alternative commodities.

To get an idea of the effect of such price changes on farm production, economists analyzed the theoretical responses that would be most profitable on model farms in the limestone valleys of northern Alabama. The use of improved production practices as followed by the upper 10 per cent of the farmers in the area was assumed for the models. The study was conducted by the Alabama Experiment Station in co-operation with the Economic Research Service.

When all other commodities are at the assumed base price, and cotton is at 20.8 cents a pound, a considerable amount of cotton is grown on the larger farms of the area. Little or no cotton is grown on the smaller farms. Push the price of cotton to 26 cents, and cotton acreage for the region more than doubles. Finally, when cotton goes to 31.2 cents a pound, acreage is increased another 25 per cent and just about all the suitable land is planted to cotton.

Cutting the price of competing

commodities also helps to push land into cotton, even when the price of cotton is lowered. When prices for competing commodities are 30 per cent below base, and cotton is 15.6 cents a pound, the land use ratio is about the same as it is when cotton is at 20.8 cents and prices for all other commodities are at base.

And when the prices of competing commodities are cut, but the price of cotton is held at 20.8 cents, once again just about all the suitable land in the area goes into cotton.

Cotton loses its appeal quickly, however, when prices for competing commodities are raised 30 per cent above base. Not until the price of cotton reaches 26 cents a pound is there any noticeable production. Even at 36.4 cents a pound, not all the suitable acreage will be planted to cotton.

The commodities included in the analysis were cotton, oats for grain, wheat, grain sorghum, soybeans, lespedeza and alfalfa hay, beef cows, feeder steers, hogs, and manufacturing grade milk. (5)

## Asbestos Dollars

The volume of fire insurance carried by some 1,600 farmers' mutual fire insurance companies totaled \$36.4 billion on December 31, 1962. The total on the same date in 1961 was \$35.3 billion.

Farmer members of these companies paid about \$104 million for their fire insurance protection during 1962—premiums totaled about \$99 million the previous year. The increased cost was due primarily to larger amounts of coverage rather than a hike in assessment rates although the average assessment did rise from 28.6 cents per \$100 of insurance to 29 cents last year.

Losses paid by farmers' mutual fire insurance companies were \$67.3 million during 1962. During 1961, the companies paid out \$61.4 million. (4)

## Hot and Heavy

Farm fire losses reached an all-time high of \$175 million during 1962—7 per cent above the \$163 million in 1961. The estimate is based on reports from 226 farmers' mutual fire insurance companies.

Buildings and their contents accounted for about 85 per cent of the losses covered by mutual fire insurance. The buildings include dwellings, barns and outbuildings, rural churches and schools. The remaining 15 per cent of rural fire claims were for personal property—chiefly livestock and machinery and equipment. Lightning was responsible for about 80 to 90 per cent of the livestock losses.

Farm fires strike about two out of every 100 farms each year. The proportion of the property value destroyed in a farm fire averages about six times that of urban fires. (6)



## Buying Land Is Often Only Chance For Michigan Farmer To Get Ahead

Future financial progress on many Michigan farms will depend importantly on the ability of farmers to buy or rent more land. Some farmers will be able to rent additional acreages but buying will be the only alternative in many cases.

Look at the land purchases of a group of Michigan farmers between 1930 and 1960.

When these men started out, only half bought land. Forty-three per cent rented their farms and 7 per cent began farming on acreage they had inherited or received as a gift.

Regardless of their original source of farmland, 87 per cent of the Michigan producers ultimately bought land.

## FARM MORTGAGE LENDING UP DURING FIRST QUARTER 1963

Twenty major life insurance companies, the federal land banks and the Farmers Home Administration together closed \$451 million in new and additional loans during the first quarter of 1963. This sharp increase was 19 per cent over January-March 1962.

The amount of mortgages closed by life insurance companies during the first quarter of 1963 was 41 per cent higher than the volume made in January-March 1962. The average size of new loans reached \$27,000, up \$2,000 from a year earlier.

About half the life insurance loan commitments in early 1963 were to refinance existing debt. An additional one-third were to buy farm real estate and the remaining mortgages were for repairs, improvements and miscellaneous purposes.

Interest on life insurance loan commitments during the first three months of 1963 averaged 5.75 per cent, down slightly from 5.78 per cent in October-

Purchases averaged nearly two per farmer and cost roughly \$10,994 each. Two-thirds of the transactions were for adding land to the existing farms.

Thirty-eight per cent of the land purchases reported by the survey farmers were completely financed by loans and another 50 per cent were closed by mortgages with a down payment. Only one out of 10 land transfers was a cash deal—most of these were small purchases.

One-fifth of the land transactions were for \$20,000 or more. These large purchases, although small in number, accounted for half the dollar volume of credit obtained by the group of farmers.

Sometimes loans were for sums larger than the purchase price of the land. The extra funds provided for capital improvements or production needs. (8)

December.

The federal land banks reported a 7 per cent rise in closings during the first quarter of this year compared with the first quarter of 1962. However, the increase was largely due to a 6 per cent gain in the size of loans which averaged \$15,320 for the three-month period. The number of loans made by the land banks during January-March was up less than 1 per cent from early 1962.

Federal land bank interest rates did not change during the first three months of 1963. Two banks were charging 5.75 and 6 per cent respectively, and the remaining 10 made loans at 5.5 per cent or less.

Mortgage loans made directly by the Farmers Home Administration (including additions to existing loans) in early 1963 dropped to \$28 million from \$80 million in fourth-quarter 1962. FHA closed \$35 million in loans during January-March 1962. (7)

## Wisconsin Farmers With FHA Loans Earn More Money Than Their Peers

How can you tell a farmer with a loan from the Farmers Home Administration (FHA)? Not an easy task if you look at the clothes he wears or the car he drives. But taking comparative farm statistics for FHA borrowers in Wisconsin we can see significant variations from state averages.

A below average group in terms of income per crop acre (\$73.77 in 1961 for FHA loan recipients as against \$97.50 for the overall state average), FHA borrowers were above average in total farm income. How? By farming more acres (206 compared with a state average of 162).

In 1961, more than 2,100 Wisconsin farmers received loans from the FHA. Fully living up to the reputation of the dairy state, FHA borrowers were dairy farmers to the tune of 96 per cent, although hog production was frequently listed as a secondary source of income. And compared with other Wisconsin dairy producers FHA borrowers achieved about average milk income per cow whether they were grade A or grade B producers.

Since there is a close correlation between the different prices received for A or B grade milk and the variations in farm income, switching to grade A production would be an effective means for raising income per acre. The switch should bring in an additional \$400 annually to the average FHA borrower.

Raising the size of herds could also contribute to increased income. The average FHA borrower now has only one cow for each 4.9 acres compared to one cow to 3.7 acres for grade A milk producers. To equal the size of herd averaged by grade A producers, the FHA borrowers would need to increase the size of their cow herds from the present 27 to 35 or 36. (9)

## Survey Rates Farm Income Position By Assets and Scale of Operation

For many farmers, getting ahead in farming means enlarging their size of operation and borrowing, if necessary, to do it. This is the conclusion of a study of financial progress on Michigan farms.

In the study a group of farmers were ranked according to the value of the farm assets they owned in 1953. Based on rank, the group was divided into small and large farmers. Then each of the size groups was analyzed according to changes in their farm assets between 1953 and 1958.

To begin with, the small farmers averaged about \$17,000 in owned farm assets; the large farmers averaged \$48,000. The increase in value of farm assets was much the same for both the small and large producers. The changes were \$13,000 and \$14,500, respectively. However, because the small farmers didn't own as much to begin with the increase for them percentage-wise was two and a half times the gain for the large producers.

Comparisons of the groups by change in assets were revealing. Take the low- and high-increase groups of small farmers. Each of these groups averaged about \$17,000 in farm assets in 1953. Five years later the low change group reported practically the same total while the high-increase farmers owned around \$45,000 worth of farm assets.

The results were similar for the large producers. The low-increase group added little or nothing to their original farm assets of \$44,000 while the high-increase group increased their assets from roughly \$54,000 to \$87,000 per farm.

These increases in assets reflect mainly the physical growth in size of farm operations. Farm assets owned in 1958 were valued at 1953 prices or at cost if acquired after 1953.

A good part of the increase in farm assets for the high-increase producers was due to ownership of more land. Large and small farmers who showed a high increase purchased an average of more than 70 acres of land between 1953 and 1958—low-increase men made no major additions to their farms.

During the same period, the high-increase farmers borrowed around \$30,000 each—much more than was borrowed by the small-increase group. Nearly half of the credit was used to finance land purchases with the remainder going into additional livestock and machinery.

Despite a high rate of repayment, the high-increase producers reported \$17,000 more debt per farm in 1958 than was the case in 1953. Little change occurred in the net debt of the low-increase group.

## URBAN NEEDS CUT WIDE SWATH THROUGH THE COUNTRYSIDE

Here are some examples of the acres new urban facilities can cover.

Airport construction requires not only the land necessary for proper operation of the aircraft and access to the terminal—additional buffer space may be necessary because of the noise from jets. At the new Dulles International Airport which serves metropolitan Washington, D. C., the airfield and service area occupy 10,000 acres. In addition, the access road to the airport took another 915 acres in covering 17 miles. As is usual in the vicinity of a new airfield, plans for housing and commercial development have earmarked more acres nearby.

Even recreational use of farmland, whether alone or in combination with tourist enterprises, has effects that reach farther into land use and values than planners may expect. Construction of new lakes or reservoirs for power, water and recreation often en-

Although the high-increase farmers borrowed heavily to increase their ownership of assets, the gain value—from price increases as well as physical increases—more than offset their larger debts. The result was considerable progress in building net worth. Net farm incomes also increased substantially.

The opposite was true for the low-increase men: Little change in debt, little change in assets and income because they didn't use credit as a managerial tool; little change in net worth except for the increase in the value of the land they started with.

A revealing difference between the high- and low-increase farmers, whether small or large, was age. The high-increase men averaged five years younger. They very likely had more managerial drive. (10)

courages the building of fishing preserves, hunting grounds, private homes and cottages on the shores. And, as vacationing families visit these places, many often decide the area is just the place to buy an acre or two or even a farm as a permanent site for rest and relaxation.

Next come the roads to get to and from the new facilities. Each mile of new right-of-way for an interstate highway reduces the supply of farmland by about 40 acres.

Along with the new roads come the travel services necessary along the route. These include filling stations, motels and restaurants. Such facilities place even more pressure on the farmland fringe at the edge of the highway.

Although scattered throughout the country, military and other government installations affect the land values in the areas in which they are located. Particularly important are the vast acreages for space testing. (11)

## Fewer Pear Trees Dot Landscape; Bigger Orchards Producing Crop

Times have changed even for pears. Back in the thirties, farms all over the country had a pear tree or two. In season, pears were a familiar treat for eating out of hand. Nowadays, pears are mostly produced in large commercial orchards and the bulk of the crop is canned.

According to the Census of Agriculture, the number of farms reporting pear trees or production dropped drastically between 1940 and 1959. The number of trees bearing also decreased sharply. However, thanks to higher yields on the remaining trees, total production of pears has been relatively stable except for fluctuations caused mainly by weather. According to USDA estimates, output was 29.3 million bushels in 1962 while the high point since 1935 was the 34 million bushels produced in 1947.

Eleven states now account for the commercial pear crop. Of these states, California, Oregon and Washington supply the bulk of annual output with California easily the No. 1 producer.

To illustrate the concentration of production, output of pears in the three Pacific coast states climbed 25 per cent from 1935-38 to 1959-62—from an average of 19.8 million bushels to 24.8 million. In 1959-62, this region produced 89 per cent of total U.S. pear output.

Production in the remaining eight commercial states—Utah, Colorado, Idaho, Texas, Michigan, Pennsylvania, New York and Connecticut—dropped 65 per cent from 1935-38 to 1959-62. Average output in the two comparison periods was 8.8 million bushels and 3.1 million bushels respectively.

Along with the decline in farms reporting pear trees or production, fewer pears are eaten on farms where produced. This reflects the change from small pear

producing enterprises to large commercial orchards. Fruit used on farms totaled less than 400,000 bushels in 1962 compared to 3 million in 1935.

More and more of the pears going off farms went to processing plants over the years as sales for fresh use (including exports) declined 35 per cent. The volume sold for processing averaged 7.9 million bushels in 1935-38 and 16.5 million in 1959-62. Most of the pears sold for processing are canned—an average of over 97 per cent during 1959-62. Most of the remaining processed pears were dried.

From 1935 to 1962, total consumption of pears in the U.S. increased about 5 per cent. But with the growth in population, per capita use of pears declined about 25 per cent.

The Bartlett is the leading variety of pear grown in commercial orchards on the Pacific coast. During 1959-62, Bartlett pears accounted for 77 per cent of total output. Nearly 74 per cent of this variety was processed during the period.

Of the remaining Pacific coast commercial varieties—Hardy, D'Anjou, Bosc, Comice, Nelis and Easter—84 per cent was sold through the fresh market. Hardy, a California pear, is also a popular variety for canning in fruit cocktail. (12)

## Trend in Price of an Acre of Land Parallels Per Capita Nonfarm Income

Fewer farmers, the increasing dependence of many farm people on nonfarm sources of income and higher per capita income for the nonfarm population have combined to put the trend in land prices on a parallel with the general economy.

Since 1945, the price of an acre of land has been more closely keyed to the rise in per capita income of the nonfarm population than it has to the incomes of farm

people. Land values near the end of World War II averaged \$47 per acre. By March 1, 1962, the average value had reached \$124. At the same time, income per non-farmer went from \$1,334 to \$2,445. Income per capita (all sources) of the farm population was \$700 in 1945 and \$1,436 in 1962. (13)

## Soybean Crushings Hit New Record; Large Carryover of Meal on Hand

Strong demand and good prices for soybean meal pushed crushings to a record 403 million bushels during October-July 1962-63. That's 29 million more bushels than were processed in the same months the previous year. (See Marketing section for oil situation.)

Crushings for the entire marketing year (ended September 30) reached a new high of about 475 million bushels—45 million more than in 1961-62.

But we can crush even more, according to USDA economists. They say the total U.S. soybean crushing capacity is at least 575 million bushels a year. In other words, the soybean industry has operated at about four-fifths of its full capacity. Processors have been expanding their facilities to keep ahead of the growth in the soybean crop. Crushings jumped from 283 million bushels in 1955 to 475 million bushels in 1962.

In the foreign market, U. S. exports of soybeans continued at a record level and reached some 180 million bushels in 1962-63, compared with 153 million last year.

The strong demand for soybean meal resulted in a larger crush than would have been justified by the oil situation alone. As a result, carryover stocks of crude and refined soybean oil will total a record 925 million pounds by this month, compared with 620 million pounds on the same date last year. (14)



## SYPHON TUBE IRRIGATION OF DELTA COTTON SAVES MONEY ON PUMPING AND REPAIR COSTS<sup>1</sup>

Operating costs	Annual cost per irrigation		
	Sprinkler	Gated pipe	Syphon tube
	Dollars		
Pumping <sup>2</sup>	3.51	4.32	1.68
Permanent conveyance maintenance	.15	.13	.33
Temporary ditches and flumes	.10	.14	.23
Labor	1.70	1.50	1.04
Repairs and misc. costs	.61	.49	.16
Total <sup>3</sup>	6.07	6.58	3.44

<sup>1</sup> The once-over equivalent use for these systems was sprinkler, 372 acres; gated pipe, 447 acres; and syphon tube, 507 acres. <sup>2</sup> Forty-two cents per acre-inch pumping cost at well; 66¢ per acre-inch relift pumping cost for gated pipe; 75¢ per acre-inch relift pumping cost for sprinklers. <sup>3</sup> Four acre-inches of water applied with gated pipe and syphon tubes and three acre-inches with sprinklers.

## SYPHONS GET BEST COST RATINGS IN DELTA COMPARISONS

For irrigation of cotton to be profitable in the Mississippi Delta, it has to be inexpensive not only to develop but to operate.

A new study by the Economic Research Service shows that the syphon tube system meets the test better than sprinkler or gated pipe systems.

Costs of temporary ditches and flumes as well as maintenance of permanent conveyances run somewhat higher with the syphon tube than with the other two systems.

But these costs are more than offset by lower operating costs, including pumping, labor and repairs.

Since operating costs are lower, it takes a much smaller increase in yields to pay a farmer for irrigating an acre of cotton with the syphon tube system than it does with the sprinkler system.

The use of sprinkler and gated pipe systems is profitable only in a limited number of situations because the per acre cost is so high. Piping is more expensive than the ditch or flume used in the syphon system. And the necessity of relifting the water in both systems more than doubles the pumping cost of the water used. Better

planning and engineering could eliminate much of this cost.

Labor costs for the syphon tube system are much less because no pipe has to be moved. Also, more acreage can be irrigated with one setup of the system.

The report is based on information obtained from 100 farmers in 1957 and 90 farmers in 1960, all of whom irrigated some of their cotton acreage. (15)

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 •  
 • **Cotton Carryover** •  
 •

On August 1, the carryover of all kinds of cotton was estimated at 11.2 million bales—3.3 million more than were on hand on August 1, 1962. The increase was due both to a larger crop and a sharp decline in disappearance during 1962-63.

The 1963 crop was estimated September 1 at 14.3 million bales, down from 14.9 million last year. Although harvested acreage was lower this year, yields per acre reached a new high of 482 pounds, 16 pounds over the previous record in 1958.

Domestic mill consumption during 1963-64 is estimated at 8.8 million bales, up 400,000 bales from 1962-63. (16)

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## Insect Hordes Face Little Opposition On Many Cotton Farms in Alabama

Overcome all the other problems in getting a good stand of cotton and overnight a lush growth can be destroyed by an army of hungry insects. The only way to fight back is with a good insect control program. Yet many farmers don't make use of such practices.

To determine the extent to which insect control is used on cotton, the cost of a typical program, the effect on yields and the use of related production practices, the Alabama Agricultural Experiment Station, in cooperation with the Economic Research Service, conducted a survey of cotton farms in the limestone valley area of Alabama during 1962. Farmers in the 11-county survey area were questioned about insect control used on their 1961 crops. Cotton production in the limestone valley accounted for 44 per cent of the state total during 1961.

The farms selected were classed in three size groups on the basis of 1961 cotton acreage. There were 48 small farms with an average of 47 acres of cropland. These farmers planted 9.6 acres of cotton during 1961 and had average lint yields of 372 pounds per acre.

In the medium-size group, 47 farms averaged 124 acres of cropland. Yields averaged 404 pounds of lint per acre on 32.8 acres during the crop year surveyed. The large farms were 55 in number and had 506 acres of cropland on the average. These operators planted 140.6 acres of cotton in 1961 and harvested 506 pounds of lint an acre.

Of the total acreage planted in the limestone valley area, 65 per cent was treated one or more times for control of insects during 1961.

Replies to the survey questions indicated that 44 per cent of the small farmers used insect control,

70 per cent of the medium-size producers and 73 per cent of the large growers. The average number of times treated was 6.4 on small farms, 5.2 on medium-size farms and 6.3 times on large farms.

The total cost of insect control per acre treated also varied with the size of farm. Small farmers spent \$13.06 per acre for materials and application, medium-size operators, \$9.53, and large producers, \$14.18. The cost of the spray or dusting material alone was \$8.90, \$6.32 and \$9.64 for the small, medium and large farms.

On the basis of total cotton acreage treated, dusts were used on 59 per cent of the crop and sprays on the remaining 41 per cent. On most farms, the cotton crop was dusted or sprayed as often as the Agricultural Extension Service recommended.

More small farmers used dusts than sprays. Ninety-six per cent of the cotton was treated with insecticides in dust form. On the medium-size farms, 79 per cent of the treated acres were dusted while the large farmers used dusts on 54 per cent of their cotton.

However, the large farmers were more likely to use airplanes to apply dusts—31 per cent of the acreage was treated this way in 1961. Nearly all the small and medium-size growers used tractor dusters.

The large producers also used airplanes for spraying cotton. Of the 46 per cent of the acreage treated with sprays, 10 per cent was covered by airplane. High clearance sprayers were used on another 28 per cent with tractor-mounted rigs handling the rest. The use of airplanes and high clearance equipment gave the large farmers better control over infestation and permitted them to spray cotton later in the season when the plants were too tall to use tractor equipment.

Researchers estimated the weighted average yield of lint for

### *Efficient Farmers*

Just in case someone hasn't noticed how efficient farmers are, here's part of the record.

In terms of contributions to gross national product, the gain in output per man-hour for agriculture during the last decade was more than double the figure for industry. Farmers chalked up an average annual gain of 5.1 per cent in labor efficiency from 1950 to 1960 while all nonfarm workers recorded a 2.2 per cent increase in efficiency. (18)

the area was about 50 pounds per acre higher on farms where insect control was practiced compared to farms where no spraying or dusting was used. However, part of this difference in yields could be due to use of fertilizer, herbicides, defoliants and the kind of cultivation practices followed.

When the operators were asked to estimate their yields without using insect control, the replies ranged from 214 pounds of lint

per acre on the small farms to 324 pounds on the large farms. Farmers estimated that with no insect damage, their yields would have been around 677 pounds of lint per acre on the small and medium-size farms and 690 pounds for the large operations.

Farmers were also asked about other production practices they used in 1961.

Pre-emergence herbicides were used on 10 per cent of the cotton planted on the small farms, 26 per cent of the acreage on the medium-size operations and 33 per cent on the big farms.

Small growers used defoliants, mostly in dust form, on 1.5 per cent of their cotton, medium-size producers on 7.5 per cent and the large farmers on 20.2 per cent.

At harvest time, small farmers handpicked 92 per cent of the crop, 6 per cent was picked by machine and 2 per cent hand-snapped. On medium-size farms, 77.2 per cent was handpicked, 20 per cent machinepicked and 3 per cent handsnapped. (17)

### *Farmland Footnotes*

—The asking price for farmland in urban fringe areas is likely to be high regardless of whether the buyer wants to continue farming or convert the land to commercial use. Farming enterprises on the edge of metropolitan areas are land-, labor- and capital-intensive. Typical operations are truck cropping, nurseries producing flowers and shrubs, poultry and egg farms and dairy feedlots. All these enterprises usually yield high net incomes per acre.

—The drive to enlarge farms has provided continuous strong demand for farm real estate during the past decade. Purchases of land for enlarging farms have steadily increased from 26 per cent of land transfers in 1952 to 46 per cent in 1962.

—How much of a return do farmers make on their land investment? For the past 10 years, average net returns to farm owners from farm production (after allowances for returns to labor) have been relatively stable at about 5 per cent of the estimated annual market value of all farm real estate.

—Machinery and land go hand in hand. From 1952 to 1962, the number of farm workers declined 14 per cent as farm wage rates advanced 30 per cent. Faced with the shortage of help in combination with the increase in labor costs, farmers bought more and larger farm equipment. In turn, the bigger machinery meant more land and larger fields for economical use. (19)



# UNTYING THE

# RURAL- URBAN KNOT

The rural-urban fringe is getting frayed. As cities checkerboard into suburbs, and the suburbs move into the countryside, the loosely woven community of farmers and nonfarmers who live just beyond the edges of suburbia is beginning to unravel. And no one seems able to agree on what to do about it.

Small wonder. About the only common denominator of the rural-urban fringe is a preference for living in the open country.

To find out what the spread of the suburbs is doing to these semi-rural communities, researchers surveyed Montgomery and Prince Georges Counties, the counties that embrace Washington, D.C., on the Maryland side of the Potomac.

The area qualifies as a laboratory for the study of suburbanization for two reasons: The growth of Washington has caused the combined population of the two counties nearly to double in the past 10 years. At the same time, farming is still an important part of the local economy.

Unlike the suburbs, where families are about the same age, have roughly the same incomes, and live in similar if not identical houses, the fringe resident is not

easily fitted to a type.

Shacks and stately homes may be neighbors in the fringe area. Farms share space with industrial parks and airports. The population includes a bit of everything: Prosperous farmers and poor ones, businessmen, laborers, professionals—all make their home in the fringe. And though most of the land in the fringe is devoted to farming, only about one family in 10 actually lives on a farm. Even then, about a third of the families living on farms got most of their incomes from something other than farming.

The fringe population also represents a higher proportion of white collar workers than rural areas in general. At the same time, the fringe areas have an unusually high percentage of unskilled workers and farm laborers. It's the skilled, blue collar workers who are in the minority.

Family incomes for the fringe areas show the same diversity. The median income for nonfarm families in Montgomery County in 1959 was \$4,451, the lowest for the two counties. At the top of the scale were the farm families in Montgomery County with median incomes of \$7,031.

The level of education in the

two counties follows a similar pattern. The farmers in Montgomery County could boast more schooling than any other group; the median level was high school.

The farm population in the fringe areas was, by and large, older than the nonfarm population by 10 years. The farmers had also been living in the area longer. Some 85 per cent of the farm residents in Prince Georges County, and 71 per cent in Montgomery County, were either born in the area or had lived there since before the war.

The fringe residents do get together in their preference for country living. The degree of rural or urban orientation was determined by the answers to a series of questions about the number of trips to the city (aside from commuting), membership in rural or urban organizations, reading rural or urban newspapers, and where the residents spent their leisure time.

By this scale, the lives of fringe area families were focused on rural life, rather than city activities. Oddly enough, the nonfarm families in Montgomery County seemed to be more rural in their outlook than farmers or nonfarmers in Prince Georges County. (20)

## Despite Lacks in Rural Education Diploma Essential to Later Success

A young man with a diploma from a rural high school finds it tougher to get a good job in the city than a city graduate. Because rural high school education is usually not up to the national average, country graduates often lose out to the better trained men.

But although the rural graduate has trouble competing with city boys, he's still better off than the rural high school dropout. Rural graduates who find jobs in the city earn a lot more money than the dropouts who remain in the country. At least this is true of young men who attended high school in eastern Kentucky.

For example, in a recent study of more than 300 boys who were in the eighth grade in 1950 in eastern Kentucky, researchers found that the boys who completed high school and got jobs in the city earned \$5,000 annually 10 years later. The high school dropouts who remained in the country earned about \$2,100 a year.

The study, sponsored by ERS in conjunction with the Kentucky Agricultural Experiment Station, revealed that the parents had little formal education—80 per cent had eight years or less of formal training. The more education the parents had, the more likely it was the children would complete a high school education.

The researchers found that the high school graduates, compared with dropouts, held higher job aspirations, expressed stronger intentions to do something positive to reach their goals.

Some 65 per cent of the graduates remaining in eastern Kentucky belonged to labor unions, churches and lodges.

More than half the young men in the study did not complete high school. Of the 139 who finished high school, 47 entered college, but only 12 earned degrees. (21)

## Jobless and Underpaid

Unemployment isn't nearly the problem underemployment is in rural areas. Underemployment means not getting enough return for a normal period of work.

For example, in 1959, the last income census year, USDA economists estimated that about 2,100,000 persons in rural areas had net annual incomes of \$1,200 or less. But only 250,000 of these persons were unemployed or only partially employed, according to the Census.

This means that only one-tenth of this lowest level of rural underemployment is recorded in our present unemployment statistics. The 1,800,000 unreported persons with low incomes represent a tremendous opportunity for economic growth.

Most of the rural families with net annual incomes of less than \$1,200 are in the southern states. Many of these states have more than 50,000 families in this low income group. (22)

## Many Farm Areas Are Still Plagued By High Rate of School Dropouts

Retardation in school is still a problem in rural high schools, despite marked improvement in school attendance during the past 10 years.

In 1950, 38 per cent of all farm school children 14-15 years old were in grades below the normal grades for their age; by 1960, the percentage had been reduced to 18. Although the school progress of farm children has improved, the improvement has not been sufficient to erase the difference between farm and urban children, and in 1960 only about two-thirds as many urban as farm 14-15 year olds were retarded in school.

When a student falls behind his age group, he lowers his chances of graduating from high school. And if the student does finish school, he is apt to find himself at a disadvantage in the job

market, since employers tend to prefer the younger graduates.

But whether he graduates early or late, he is still far better off than the boy without a high school diploma.

A high school diploma is often the minimum qualification for even the most menial jobs these days, especially in the city. And the city is where many rural students will end up working.

The rural student who doesn't make it through high school, or who lags behind his classmates, can look back to his preschool days for part of the cause. More than half of all the city children five years old were enrolled in school in 1960; only 29 per cent of rural five-year olds were in school. These figures mean that far fewer country children have the advantage of nursery school and kindergarten to prepare them for the beginnings of their formal education. Thus the rural child is probably more apt than his city cousin to repeat the first or second grade.

From the point of view of the rural school system, high rates of retardation mean additional expenses as the students repeat grades.

Rural youth face still another handicap; their parents do not emphasize the importance of education as much as city parents do. Without such backing from their parents, the rural child finds it all the harder to keep up his work in school. (23)

## Nutrient News

Farmers added plant nutrients to 48 per cent of their cropland and improved pasture in 1959—only 30 per cent was fertilized in 1954. Crops with more than half of the total acreage fertilized in 1959 were: tobacco, 99 per cent; sugar crops, 92 per cent; potatoes and sweetpotatoes, 86 per cent; vegetables, 76 per cent; fruit, 73 per cent; corn 64 per cent; and cotton, 64 per cent. (41)

*The farmer used to cart his produce to market; today he is apt to find the market coming to him. Now the question left to be answered is*

# WHITHER THE WHOLESALE?



There's a produce wholesaler in Allentown, Pa., who used to make several trips a week to the Philadelphia or New York terminal markets. Today, he can pick up a phone and order a partial truckload of vegetables from south Florida and have it topped with citrus on the way north. He can combine as many as 28 different vegetables in this mixed load.

Without leaving his office, let alone the city, he has assured himself of the supplies he needs.

This is just one example of the way direct buying, split and mixed loads, and other developments in the produce trade are increasingly bypassing the primary wholesale markets and fruit auctions.

The leaders in the trend to direct buying are the national and regional food chains.

For the largest chains, the attraction of direct buying lies mainly in cost reduction. By going directly to the shipper, the chains hope to eliminate the cost of handling in the terminal markets.

Smaller chains are moving toward direct buying less because of price than quality. Direct buying gives these retailers a greater assurance of getting the quality they want. Direct buying from shippers who are known for delivering quality produce helps to reduce the day-to-day unpredictability of the local markets.

The proportion of direct purchases from shipping point by chains and affiliated groups has just about doubled since the mid-thirties. Today, such purchases are about 20 per cent of total market receipts throughout the country.

Some of the indications for the next five or 10 years are:

**Direct buying.** Continued growth in buying groups big enough to buy directly from shippers. The outside limits of such a growth will be set by the needs of: 1. restaurants, hotels and the like, 2. unaffiliated independent grocery stores and 3. chains making local purchases. Of course, the more the terminal markets can offer adequate supplies at competitive prices, the less incentive there will be for the smaller groups to buy direct.

**Wholesalers.** Greater emphasis on specialized services, such as the service wholesaler who supplies unaffiliated independents and small groups. Such functions as prepackaging will grow.

**The market in general.** A shift away from trading, with its emphasis on profit from price changes, to merchandising, where specialized services are the key to profit. (24)

## Peach of a Crop

This year growers of fresh peaches in the Southeast had bumper crops that resulted in marketing difficulties. The same was true for growers of fresh plums in California.

The Department of Agriculture has surplus removal programs designed to assist growers in disposing of large supplies without undue losses. In July USDA bought 44 cars of fresh peaches in Georgia, South Carolina, North Carolina and Alabama. In California it purchased 122 carloads of fresh plums.

USDA purchases go to orphanages and other charitable institutions. (25)





## Consumers Like Ripe Tomato Flavor; Dealers Buy Green for Even Quality

Vine-ripened tomatoes offer plenty of appeal to marketers and consumers alike. They offer problems, too.

Some of the problems were indicated in a recent study of the marketing of vine-ripened Florida tomatoes. The study was made by ERS in cooperation with the Florida Agricultural Experiment Stations.

Vine-ripened tomatoes can be shipped directly to receivers.

A majority of the terminal market handlers thought the vine-ripened tomatoes were superior to the mature-green fruit usually shipped. About 60 per cent of the handlers thought the customers, also, would prefer the appearance and taste of the vine-ripened tomatoes.

On the other hand, more than

half of the receivers surveyed noted drawbacks to the vine-ripened tomatoes. The most frequently mentioned complaints were the uncertain quality and uneven color of the vine-ripened fruit.

The vine-ripened tomatoes also call for a little more skill when it comes to grading the product and sorting it for color. Specialized repackers usually take care of both of these chores for mature-green tomatoes.

After weighing the pros and cons of the two kinds of tomatoes, the dealers indicated the vine-ripe product might gain a larger part of the winter market. But they also felt shippers of vine-ripe fruit wouldn't be able to achieve the consistent quality of mature-green fruit.

Some of the dealers in the survey suggested a need for wider promotion of the vine-ripe fruit to stir up consumer interest. (26)

## STUDY OF CONSUMER REACTION CAN STRETCH AD DOLLARS

**Situation:** You are a processor of frozen orange juice concentrate and must move large inventories to make way for the next season's crop.

**Question:** Would you cut prices or increase advertising and other promotional activities?

Twenty-two cooperating processors in Florida faced this problem in the latter part of 1959. Taking a gamble, they solved it by a promotional campaign which increased sales by 13 per cent over what they could have expected without an advertising effort. This produced \$18 million more in sales revenue than would be produced by cutting prices enough to sell a comparable quantity.

Yet although promotion of agricultural products is already big business, with 1,200 firms spending about \$100 million yearly to influence the demand for their products, little research has been done in promotion. Farm com-

modity groups are seldom able to afford extensive promotional research like that of big industrial companies.

As an example of a research question which needs answering, take the relationship between promotional themes and levels of sales. A study of apple promotion shows that sales in six midwestern cities went up 32 per cent for Washington-grown apples when their many uses were publicized and only 21 per cent when the "health theme" was used. However, sales of grapefruit also showed a large increase when the health advantages of apples were advertised.

Another question concerns the broiler industry. Do frequent retail specials depress the farm price? Or do they raise sales revenue and farm prices in the long run? No one knows.

The agricultural industry vital to needs promotion research. (27)

## Little Change in Fat and Oil Supply Expected for 1963-64 Marketing Year

September indications for the U.S. supply of edible fats, oils and oilseeds pointed to a total of about 16.7 billion pounds (oil equivalent) for the 1963-64 marketing year. This figure is up roughly 2 per cent over the supplies available on October 1, 1962. The beginning stocks of edible fats and oils, however, should be around 2 billion pounds, down 5 per cent from last year.

These relatively small changes mask a major shift in soybean supplies—a sharp increase in production and an equally significant decrease in soybean carryover. The 1963 harvest is expected to produce 728 million bushels (compared with 675 million in 1962), a record crop. At the same time, beginning stocks on October 1 should be about 10 million bushels compared to 58 million a year ago.

With demand relatively stable at a high level and supplies limited, the 1963-64 crushings of soybeans should increase slightly from last year's record 475 million bushels. Exports should set a new record, slightly above the 180 million bushels now expected for 1962-63.

Cottonseed production in 1963-64 is forecast at 5.9 million tons, a crop that should yield about 4 per cent less crude oil and cake and meal than a year earlier. Prices to producers will likely average above 1962-63.

The flaxseed harvest for 1963 is estimated at 30.6 million bushels, down 4 per cent from 1962. Combined with sharply increased carryover, however, this will mean total flaxseed supplies for 1963-64 up 9 per cent over 1962-63. The crop harvest alone is one-fifth greater than domestic requirements, meaning that prices should continue to average slightly below the CCC support price of \$2.90 per bushel. (28)



# latins look at the COMMON MARKET

Latin American countries are worried. Their trade position with Europe has been declining, and the future looks no better.

Traditionally Latin America has depended upon European nations as major buyers of its agricultural exports. Prior to World War II almost half of all South and Central American agricultural exports went to Western Europe. Now less than 40 per cent do. And since 1954 Latin America's generally favorable trade balances have been weakened and the capital inflow diminished due to a continued decline in world prices for basic agricultural products.

In this situation the gathering force of the European Economic Community (EEC) or Common Market has been viewed by Latin countries as a serious threat to their trade and economic growth.

Three aspects of the European Common Market particularly concern Latin American officials:

(1) The trade impact of the Common Agricultural Policy which proposes a common market for wheat, coarse grains, sugar, livestock and other important products as early as 1967-68. If the EEC adopts a policy of self-sufficiency in these commodities it would seriously affect Latin American exports.

(2) Special Common Market concessions to former European colonies in Africa whose exports

compete with those of Latin America.

(3) The possibility that the Common Market may become a restrictive trade bloc encompassing all of Western Europe.

Many of these fears are based on past experience. Latin America's share of European coffee imports dropped from a prewar average of 77 per cent to 55 per cent in 1960. In cocoa the drop was from 20 to 12 per cent. In both cases the increased competition from African colonies or nations with tariff concessions has been a major cause of the decline.

What's more, coffee is considered a luxury item by European governments and taxed accordingly. In France the internal taxes on coffee are 51 per cent of value; in Germany, 148 per cent. This is added to external import duties of more than 20 per cent of value for both countries. Former French colonies, though, do not pay the import duties in France.

Duties on cotton and sugar, by way of contrast, have been much lower, sometimes nonexistent, and the Latin American share of West European imports has risen.

The new EEC arrangements call for a uniform tariff schedule with some variable levies (on wheat, for instance) and some fixed percentage duties. In the case of wheat and other variable levy commodities, any price ad-

vantage which non-European goods have previously enjoyed is to be eliminated. Some of the fixed levies may achieve the same result.

Duties on commodities important to Latin America include (by per cent of value): coffee beans, 16; cocoa beans, 9; bananas, 20; sugar, 80. Other basic agricultural products, raw wool and cotton among them, will enter duty-free under the new tariff.

The future impact of the EEC on Latin American trade is difficult to predict. For, although increased per capita consumption should accompany the expected acceleration in the Common Market's economic growth, Latin America will be competing with African products that will eventually enter duty-free.

Pressures from Germany, Italy and the Netherlands may yet overcome the Belgian and French insistence on tariff preference for African countries in favor of development loans. They would reduce this preference by lowering the common tariff on commodities which Africa exports to Europe duty-free such as coffee or cocoa.

The EEC may also be induced to expand Latin America's export possibilities in order to supply foreign exchange so the Latin countries can increase their imports of European manufactured goods. (29)



## Brazil Seeks to Double Meat Output By 1970 to Up Home Use and Exports

Brazil has set out to put more meat on more dinner tables at home and abroad.

Total meat production was estimated at 2.41 million metric tons, carcass weight basis, in 1961. National planners hope to almost double this output of meat by 1970.

As a first step, President Goulart last January appointed a work group whose job is to fix production goals for home consumption and export over the next three years.

The need to step up meat production for domestic use becomes more pressing year by year.

The largest Latin American nation, both in area and population, Brazil had 73 million people to feed in 1961. Growing at an annual rate of 3.1 per cent, population is expected to jump to over 95 million by 1970. And even though total agricultural output has increased by over 6 per cent on the average in recent years, per capita output has climbed by less than 3 per cent a year.

Brazilians ate approximately 2.35 million tons of meat in 1961. By 1970 consumption may reach 3.81 million tons, an increase of over 60 per cent.

On the export side, Brazil hopes to develop overseas markets for meat and other livestock products valued at \$250 million annually by target year 1970.

This would provide much needed foreign exchange. The world's largest coffee exporter, Brazil has been hit in the last few years by the decline in world coffee prices. Farm products, two-thirds coffee, have slipped from 90 per cent to 80 per cent of total Brazilian exports.

Brazil has the basic agricultural resources to expand its livestock industry. Range land is plentiful. There is marked potential for increasing output of feed

and fodder.

But there are problems, too. Poor soils, especially in the vast tropical and subtropical regions, keep pasture productivity quite low.

Also, supplemental feeding will be needed to tide livestock over the long dry seasons in many areas, or more drought-resistant pasture grasses will have to be planted.

Then too, there is the animal health problem. Control of aftosa and other diseases is necessary before production and exports can be much increased. Unless Brazilian meat can pass muster in importing countries that have disease restrictions, exports will be pretty much limited to lower value processed meats.

Finally, positive programs are needed to improve processing and marketing systems and to give livestock producers greater incentive to raise and market more animals. (30)

## More Peruvians With More Money Have Helped Double U.S. Exports

U.S. farm commodities are enjoying a boom in Peru. Between 1956 and 1961, U.S. farm exports to Peru almost doubled, increasing from \$13.3 to \$25.5 million in the five-year period.

A growing population in Peru and slowly rising per capita incomes have been behind the increase in food imports. Also, Peru has been able to increase its imports because of greater foreign exchange earnings from copper, iron ore, fish meal and sugar.

Wheat is by far the most important of Peru's imports, with corn, lard and edible oils next on the list. Government action has kept bread prices low which has helped to increase the demand for wheat and wheat products.

Since 1958, the U.S. has supplied about half of Peru's total wheat imports. Argentina is the next most important source and

Canada supplies most of the remainder.

About 38 per cent of the U.S. grain shipments to Peru have been financed under Title I of Public Law 480 (shipments paid for with local currency). Wheat shipments under other government programs have accounted for 29 per cent of the U.S. trade and cash sales for the remaining 33 per cent.

Imports from the U.S. represent from 30 to 40 per cent of Peru's total agricultural imports. (31)

## U.S. Has Fewer Nontariff Controls On Farm Imports Than Most Nations

Many nations use tariffs on farm imports to protect their own agriculture. But some countries also use such nontariff controls as import quotas, variable levies, import licenses and preferential treatment of one country's products over another's.

Some countries continue to use nontariff controls to regulate the transfer of foreign exchange. But others retain nontariff controls that apply to farm imports even though these countries have no serious balance of payments problem.

A new USDA study shows the following percentages of agricultural production protected by one or more nontariff restrictions:

United States	26	Greece	82
United Kingdom	37	Denmark	87
Canada	41	Austria	91
Australia	41	West Germany	93
Italy	63	France	94
Belgium	76	Switzerland	94
Japan	76	Norway	97
Netherlands	79	New Zealand	100
		Portugal	100

The percentages are indicators only. No satisfactory way has been found to get a precise measure of the actual protection of nontariff controls. But USDA economists used official reports of each country and applied the same rules to each.

Today the United States has

nontariff import controls only on wheat, sugar, peanuts, cotton and dairy products. All other farm products can enter in unlimited quantities, provided they meet health and other safety requirements and pay fixed tariffs where they apply.

Our tariffs on agricultural imports also are lower than those of most other major agricultural exporters. The average tariff rate was reduced from 88 per cent in 1932 to 10 per cent by 1959, with slight reductions since and more in prospect under the new Trade Expansion Act. (32)

## Asking Farmers to Live on Farms Is Part of Bonn Plan to Up Income

The houses cluster around the square. Geraniums bloom on the window sills and storks sometimes nest in the chimneys. Children play in the dust of the road. Above the rooftops rises the onion-shaped spire of a white-washed church.

These are the farm villages that dot the German countryside from the rolling hills of Franconia to the Bavarian Alps. To outsiders they evoke peace and tranquility. But economically they represent a farm system that hinders more than it helps the rural population.

German farmers earned 38 per cent less in 1961-62 than workers in industry and other nonfarm jobs. Without government assistance it's estimated that farm income would have been only half that of nonfarm workers.

True, 1961-62 was a particularly bad year because of very poor harvests of grain and root crops. Cash expenditures, particularly for feed, climbed markedly. But even in 1960-61, a relatively good year, farm income was 26 per cent below that of other sectors of the economy.

In an effort to raise farm income, the Bonn government has earmarked more money in 1963 than ever before to improve the

structure of agriculture. Programs are geared to improve rural roads and help farmers consolidate their scattered land holdings and enlarge their farms to a more efficient size.

Equally important, the programs encourage farmers to move their homes and farm buildings away from the villages to sites on the farm. This is a distinct break with the traditional pattern of rural life, but the government feels it's essential to promote better farm management and higher returns to capital and labor.

Most farm aid is administered under the Green Plan which costs about a half billion dollars a year. Another \$200 million goes for farm support through various marketing orders, some recently superseded by Common Market regulations, and other measures of trade protection. The government, for example, retains fairly strict import controls on a number of farm products not yet regulated by the Common Market. Then too, German agriculture benefits from special tax exemptions or reductions, averaging \$128 million a year, that are not granted to other parts of the economy.

With better harvests and with cash outlays estimated to increase only \$50 million compared with \$321 million in 1961-62, farm income should be up this year. However, the industrial labor force is now pressing for wage increases. So while the disparity between farm and nonfarm income may narrow somewhat, it isn't expected to return to the level of 1960-61.

In fact, it looks like the farm income problem will face German policymakers for some time to come. Meanwhile, there's little visible change in village life. This time of year the hay has been stacked, the honey wagons brought in from the fields, the stones replaced on roofs to secure them against the Alpine winds through the winter. (33)

## U.S. Exports of Corn to Austria Might More Than Double by 1975

U.S. exporters may be able to increase their feed grain shipments to Austria during the next 10 or 12 years, according to recently completed projections of agricultural trade for this central European country.

However, American exporters currently face keen competition in this market and probably will face even more difficulties if Austria becomes an associate of the European Economic Community.

But for the moment at least, the prospect is attractive, and the curves that take off from the 1960-62 base period have a brisk upward swing.

The Austrian market for feed grains (largely corn), starting from an annual average of 518,000 metric tons for 1960-62, is forecast to reach 1 million metric tons by 1965 and 1.2 to 1.6 million metric tons by 1975.

Even the most conservative view of U.S. expectations shows a handsome increase in this country's exports of corn to Austria. The projections indicate that the U.S. will increase its total corn exports to Austria between 94 and 106 per cent by 1965, compared with 1960-62. The figures for 1975 indicate the U.S. may increase its shipments to this market between 134 and 235 per cent, compared with the same base period. In 1960-62, the U.S. supplied 32 per cent of Austria's total corn imports.

The projections also show increased imports of citrus fruits, tobacco, vegetable oils and poultry meats. It could be good news for U.S. exporters, but only if this country is given an opportunity to maintain its access to the Austrian market.

These projections are based on a study conducted by the Austrian Institute for Economic Research for the Economic Research Service. (34)

## Government Assistance for Exports Sustains Crops in Foreign Markets

U.S. agriculture annually supplies about one-fifth of all farm commodities entering world trade. Nevertheless, U.S. exporters often have difficulty competing with low-priced commodities on the world market.

In order to maintain our leading position in international trade, the federal government provides several methods of assisting exporters. This assistance takes the form of cash or commodity payments or sales from government-owned stocks at less than domestic market prices.

Prior to 1956, with the exception of sales of wheat and flour under the International Wheat Agreement which received cash export payments, the bulk of export sales of government (Commodity Credit Corporation) stocks were made at competitive bid or announced export prices which at times were below domestic

market prices.

Since 1956 these programs have been gradually replaced by payment-in-kind arrangements for wheat, rice, cotton and nonfat dried milk. By making commodity payments on the basis of previous exports (exporters produce certificates of sales) the government encourages the use of commercial supplies rather than drawing from government stocks.

Since payment-in-kind programs depend on adequate private stocks, the CCC has reopened sales of government supplies where commercial stocks were lacking. This has been the case recently in cotton.

Among the several commodities which receive export payment assistance, wheat is by far the largest, with \$1,088 million of exports aided in the fiscal year ending June 30, 1962. Cotton (\$661 million), feed grains (\$137 million) and milled rice (\$128 million) followed. Since late 1961, domestic feed grain prices have been at levels to permit record

exports without need for export payment. Together, grains and cotton account for 98 per cent of all exports assisted by export payments.

While the programs are very similar in their general conception, they vary according to marketing practices.

Wheat, moreover, is covered by the International Wheat Agreement (IWA) by which the United States has undertaken to supply quantities, within agreed maximum-minimum price ranges, at least equal to historical average purchases.

The payment assistance programs include products sold under government programs (32 per cent of total agricultural exports) as well as commercial dollar sales (68 per cent). Fully 40 per cent of all U.S. government and commercial farm exports receive export payment assistance. In the fiscal year 1961-62, this meant an estimated total of some \$667.5 million in government payments assistance to exporters. (35)

## NEWS PICKUPS

**NETHERLANDS.** Subsidies on some butter exports have been stopped temporarily to conserve present low stocks. Production for the year ending next March should just about fill domestic needs and expected export orders, leaving little to add to stocks. In August the Dutch bought U.S. butter for the first time since 1782.

**EAST GERMANY.** Grain output this year has fallen to the lowest level of the past decade. Livestock production is down sharply since 1960. Even with rationing, the food situation remains critical and 30 per cent of all imports are food.

**SYRIA.** High winds and rains late in the season cut back expected hard wheat production by one third. Damascus expected surpluses this year would permit all-time high exports. Instead, local shortages may crop up if large

quantities of wheat continue to be smuggled to neighboring countries where prices are higher.

**SOUTH AFRICA.** Corn exports to Japan are fast catching up with U.S. exports. Valued at about \$4 million in 1959, a year U.S. shipments totaled \$15 million, South African exports hit \$48 million in 1962; U.S. exports were just under \$60 million.

**COMMUNIST CHINA.** Crop losses from heavy rains are indicated in Peiping's negotiations with Australia and Canada for more grain. If negotiated sales go through, grain imports, mostly wheat, will be above last two years. Other principal shippers are France and South Africa.

**DOMINICAN REPUBLIC.** Inspired by TVA success, the Alliance for Progress is considering a vast irrigation project that would double the income of more than a quarter of a million rural people. (36)



FOOD  
FOOD  
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FOOD



## SUPERABUNDANCE AT THE SUPERMARKET

*Going shopping? You may find 85 different cuts of meat and poultry or 100 different kinds of canned vegetables—it's just a fraction of what modern foodstores offer*

The horn of plenty held scant rations compared with today's food store.

Housewives know it; they shop the copious canyons of food every week. Economists can prove it; a team of them has just returned from counting up the abundance available in a typical American community. Their statistical grocery cart is ready to collapse under the weight of their food figures.

Item by item they counted up selected inventories for supermarkets, superettes and curb stores in two neighboring towns in North Carolina. Then they did it all over again, by size of store and by the neighborhood it served. Any way they counted it, the economists found food in an almost stupefying variety.

Meat or poultry on the shopping list? The housewife could have found 85 different kinds and cuts of meat. That's what one

store offered in the way of T-bones and chuck roasts and broilers and bacon and pork chops and veal steaks.

If that weren't enough, the shopper could have pushed the possibilities up to 135 by investigating all the stores.

Cold cuts and sea food, incidentally, weren't on the list. There is, after all, a limit to what one economic shopping bag will hold.

Or take canned green beans for a sample of everyday bounty. There were cut beans and French style, fancy long vertical packs and whole beans. Green beans with or without seasoning. There were, in fact, nine different varieties of canned green beans, not to mention fresh and frozen green beans.

The big food stores offered well over 70 different varieties of canned vegetables and the choice in one store was from as many as 100 varieties.

But as a measure of variety, the figure isn't even near the mark. You have to add, as the economists did, brands—to please the individual housewife's taste—and can sizes—to suit the needs of her family. One store in the survey offered 262 different combinations of can sizes, brands and varieties of vegetables alone.

The most likely place to find the widest variety of foods, incidentally, is not in the richest part of town. The survey found the biggest stock of items in supermarkets in lower income neighborhoods. It's the budget conscious housewife who needs and gets the widest selection of foods to make her budget stretch.

Variety, however, is not the only service the housewife wants; convenience is another. And convenience in the form of late hours and seven-day service is a near-monopoly of the little neighborhood stores and larger independ-

ents or superettes.

The old-fashioned neighborhood store and the new superettes both make a point of being open for the housewife who decides to do her shopping at nine or 10 o'clock at night. And of the two the doors are apt to be open later at the little neighborhood store.

Though the variety in these stores is nothing to compare with the big supermarkets, the little stores could take care of most of a week's shopping satisfactorily.

Should the housewife care to go on a city-wide shopping spree, searching for the ultimate in variety in foods, she is apt to find she would have been just as well off to stay within her own neighborhood. The manager of her local food store does his best to provide the items she wants, whatever they may be.

The biggest supermarkets in the study, for instance, offered as

few as 65 different items of fresh meat and poultry, or as many as 85. The range is a pretty good indication that the managers knew what their customers wanted and had it ready for them. (37)

## Granddad's Apple-A-Day Prescription Is Concentrated in Today's Freezer

Fresh fruit on the sideboard was almost a permanent fixture in the dining room of 1910.

Today the dining room fixture has moved into the kitchen, as concentrated juices in the freezer and as canned fruits on the shelf.

ERS has just updated to 1962 its yearly series on how much fruit we eat per person. It shows we ate about 3 pounds less fresh fruit last year than we did in 1961, but 50 pounds less than our grandparents did back in 1910.

Among the fresh fruits, only oranges and grapefruit, luxury

items a half century ago, have climbed the consumption ladder.

The new figures show homemakers have simply switched from fresh and dried fruits to processed fruits — concentrated juices, canned fruit slices, frozen pies and the like. In 1962 we actually ate over 36 pounds more fruit in one form or another than our grandparents in 1910, more than 2 pounds more than we ourselves did in 1961. (38)

## Food Imports Rose Last Year; Slightly Higher Than in 1961

About 13 per cent of the food Americans ate last year was imported—that's slightly more than in 1961. Coffee comprised the largest part of the total.

All of the coffee, tea, cocoa, and bananas we consumed in 1962 was imported. Some edible oils such as olive, and coconut, plus certain tree nuts such as cashews and Brazil nuts, and most spices also were imported. Of the total crops we used for food last year about a third came from overseas.

About 78 per cent of our total imports of all agricultural commodities was used for civilian food. The remaining 22 per cent consisted of foods consumed by the military or were such nonfood products as wool, tobacco and cotton.

Only a little more than 3 per cent of the total food use of livestock products in 1962 was imported. Much of this was used in processed products.

The long dock strike beginning last December on the East and Gulf coasts paralyzed shipping and reduced most food imports in January this year well below the same period in 1962.

Imports of processed fruits and vegetables in January were more than a third below a year earlier. Imports of many fresh fruits, however, were increased to offset the freeze damage to southern crops last winter. (39)

**TAKE YOUR CHOICE:** The variety of foods available in the average market would beggar the imagination of the most inventive cook. The table shows what a housewife could have found in two neighboring cities in North Carolina in late spring of this year. If she went to a multi-unit chain store, for example, she could have chosen from an average of 78 different varieties of canned vegetables not counting brands or can sizes. If she shopped at an affiliated independent, her choice on the average would have been 86 different canned vegetables. The large independent food retailers could offer her 51 selections, and even the little neighborhood store could boast an average of 38 items. And if she wanted to explore all the stores in the two communities, she could have chosen from 112 different varieties of canned vegetables. When the varieties are multiplied by the available brands and different sizes of cans, her choice would have soared to 262 different items of canned vegetables.\*

Type of ownership, retail food establishment	Stores	Fresh meat, poultry		Fresh vegetables		Canned vegetables		Frozen vegetables	
		Av.	Range	Av.	Range	Av.	Range	Av.	Range
	Number	Number							
Multi-unit	9	76	67-85	26	17-31	78	73-84	34	26-43
Affiliated	6	72	53-84	25	21-31	86	71-100	39	19-50
Independent:									
Large	9	31	17-52	15	7-21	51	33-63	16	8-30
Small	6	12	8-19	10	8-10	38	33-46	17	7-23
Different kinds of items available in sample stores, two communities		135		47		112		75	

\* The figures are taken from a current study of pricing practices for retail food stores. Of 11 food groups included in the survey, the following are not in the table: Fresh, canned, frozen and dried fruit, canned and frozen juices, and dried vegetables.





**A HARD LOOK AHEAD**

# ***man, land and food***

Man faces one of the greatest challenges of the twentieth century between now and the year 2000.

Even at its simplest, the problem is staggering:

How can the world produce food for a population that will more than double from 3 billion to 6 billion plus in less than four decades, when there is little new land to draw on in many areas and not enough capital to raise yields much in most areas.

A comprehensive new study by the Economic Research Service presents the problem in three dimensions: Man, how fast he is multiplying; land, how little new acreage can readily be brought under cultivation; and food, how

much it will take to feed a world population grown to over twice its present size by the year 2000.

The world food problem is not in the so-called developed world or industrial West—Europe, including the Soviet Union, North America (Canada and the United States) and Oceania (Australia and New Zealand). Diets in these regions have improved steadily since the beginning of the century. Today there are no nationwide food shortages anywhere in the western world.

But there are food deficits almost everywhere in the less developed world—Asia, Africa and Latin America. The study shows that people in some 50 less developed countries don't get enough

of the right foods for a balanced diet. Population has simply outraced food production, and the number of people suffering from malnutrition has actually gone up since the early 1900s.

The less developed region will be hard put in the years ahead to provide more and more people with even the same low quality diet.

And this is not enough in an era of new nations and new aspirations.

People want more food, better food, with enough of the proteins, fats and other nutrients that spell the difference between chronic inertia and normal health.

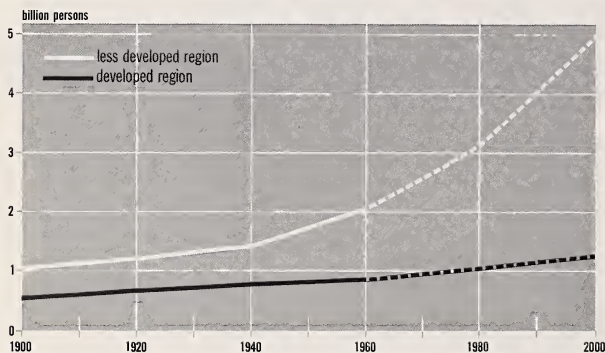
What will it take to raise the per capita food supply of the less



**IDEAS OUTPACED MAN:** Two great religions came into being. A single document laid one of the cornerstones of justice throughout the English-speaking world. Printing and the Renaissance opened new worlds of ideas and art. Yet for 16 centuries man could not make births much override the death rate. World population, 250 million at the time of Christ, had only doubled by 1600, a rate of growth ranging from 2.5 to 5 per cent a century. With advances in medicine and nutrition, the growth rate by 1900 was nearly 1 per cent a year. Today it's more than 2 per cent a year and rising. Estimated world population by the year 2000: 6 billion plus. How to feed spiraling populations is a problem that underlies economic development programs in most emerging countries.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2320-63 (9)



**REAL EXPLOSION STILL AHEAD:** Disease remained the great leveler of populations in Latin America, Africa and Asia well into the twentieth century. The growth rate in the early decades of this century actually lagged behind that of the developed world where medical advances first helped to prolong life. But the less developed world has caught up fast. Latin America's population is growing fastest but Asia, which started the century with far more people, has the most critical problem. In the last four decades of the century the less developed region is expected to add well over 3 billion people, a number equal to the total population of the world today.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2321-63 (8)

developed world, say, 10 per cent above present levels by 1980, or 20 per cent by the year 2000?

The study shows that, even with expanded food imports, if the less developed world succeeds in raising the food available per person 20 per cent above present levels by the year 2000 it will have to:

—Nearly triple its present output.

—Add to present food output an amount approximating the current food production of the entire world.

—Achieve, with limited resources, an annual rate of increase in food output considerably higher than that ever attained by the affluent societies of North America and the rest of the industrial West.

Moreover, the less developed world will have to accomplish all this in less time than man has spent developing a single variety of high yield grain—hybrid corn.

### MAN: Four Births Per Second.

From the dawn of man to the time of Christ, world population grew only to a total of 250 million. It took another 16 centuries to double this figure.

Then medical science, colonization of new lands and somewhat better living conditions began to make slow but sure inroads in the high death rate. Population increased more rapidly, and by 1900 had reached an annual growth rate of 1 per cent.

Today's rate of increase is well above 2 per cent a year. In the world today four children are born every second, 240 a minute—or well over 300,000 a day. This growth rate is so recent a phenomenon that man has scarcely begun to assess its long-term impact.

United Nations estimates show that nearly 5 billion people will be added to world population in this century. Startling in itself, the estimate presents two even more startling prospects:

—Only 1.4 billion people were added in the first 60 years of the century. Some 3.4 billion more are still to come.

—Most of the people will be added in areas that are least able to feed themselves. While the century increase for the developed world is estimated at 800 million, that for the less developed world is 4 billion.

Latin America has by far the world's fastest rate of population growth. Projections show it will average 30 per cent a decade, from now until 2000, well above the decade rate for Africa (18-26%) or Asia (22-25%).

However, Asia, with more people to start with, faces the most critical problem. By 2000 Asia alone will have a population greater than the present population of the entire world.

History suggests that the developed world has made the most progress when population was growing at less than 10 per cent a decade. The less developed world is trying to raise its economic level under the double burden of a population growth rate more than twice that of the West and a much smaller per capita endowment of land, water and other natural resources.

**LAND: The Shrinking Ratio.** Population growth is not in itself the critical factor in the protracted food shortage facing the less developed world. The real problem is that the man-land ratio is out of balance. Populations with enough land to support their food needs are not the ones having the most children.

Well into the twentieth century population pressures could still be eased by bringing new acreage under cultivation. But at mid-century this escape valve began to close. Over the next four decades higher yields must account for the larger part of the required increase in food output.

**FOOD: The Chronic Need.** The study shows that 92 per cent of

**LAND SCARCER:** Using area in grain as an indicator, the amount of land per person has declined in every geographic region since prewar. But the developed region still has twice as much land per person as the less developed region.

Region	Land per person		
	1934-38	1948-52	1960/61
Acres			
<b>Economic regions:<sup>1</sup></b>			
Developed region	1.02	0.92	0.85
Less developed region	.48	.46	.43
<b>Geographic regions:</b>			
North America	1.73	1.53	1.19
Latin America	.55	.42	.43
Western Europe	.39	.35	.33
Eastern Europe and USSR	1.24	1.10	1.08
Africa	.59	.56	.53
Asia	.45	.45	.42
Oceania	1.45	1.15	1.31
<b>World</b>	.66	.60	.55

<sup>1</sup> Less developed region includes Asia, Africa and Latin America. Developed region includes all others.

the people in Asia live in countries where the average energy intake, measured in calories, is below the accepted minimum standards for good nutrition. The situation is less critical in Africa, where 38 per cent of the population is in calorie-deficient countries, and in Latin America, where the figure is 29 per cent.

However, people may get enough calories from starchy foods and still suffer from malnutrition. They also need livestock products, vegetables, fruits, and other types of foods that

provide proteins, fat and vitamins.

By all protein indicators, diets met accepted standards in only 25 of the 60 countries in the less developed world in 1958, the last year studied. The other 35 countries, lacking one or more of the proteins, have 79 per cent of the population of the less developed world.

Thirteen of the 20 countries in Latin America had protein shortages of one kind or another, 10 of the 21 African countries, and eight countries in Asia.

Fat deficits showed up in eight countries in Latin America, eight in Africa. Again Asia had the greatest need. In India and Red China, the two population giants, fat intake per person per day was well below recommended standards. Overall, 90 per cent of Asia's population lived in areas where meat, milk, and other livestock products were not available to meet dietary needs for fat.

As these deficits show, actual starvation is not the problem. Nor is widespread famine a threat; emergency food aid is available from the United States

## HOW LAND IS USED

Region	Arable land & tree crops	Permanent meadows & pastures	All other land
	Per Cent		
North America	11.8	14.4	73.8
Latin America	5.0	18.0	77.0
W. Europe	26.8	15.5	57.7
E. Europe & USSR	11.7	16.5	71.8
Africa	7.8	19.6	72.6
Asia	16.0	16.0	68.0
Oceania	3.3	52.3	44.4



**POOR DIETS ARE CHRONIC PROBLEM:** Nutritional standards based on what people in various regions need per day to sustain normal health and vigor show calorie shortages in most less developed countries, protein and fat deficits in many.

Country <sup>1</sup>	Diets are lacking in—				
	Calories	Protein			Fat
		Animal	Pulse	Other	
Latin America:					
Bolivia	X			X	X
Colombia	X			X	
Dominican Rep.	X			X	
Ecuador	X			X	X
El Salvador	X			X	X
Guatemala	X			X	X
Haiti	X	X		X	X
Honduras	X			X	X
Nicaragua	X			X	X
Panama	X			X	
Paraguay	X			X	
Peru	X			X	X
Venezuela	X			X	
Asia:					
Burma	X			X	X
Ceylon	X		X	X	
Communist Asia <sup>2</sup>	X	X		X	X
India	X	X		X	X
Indonesia	X	X		X	
Iran	X				X
Iraq	X				X
Japan	X				X
Jordan	X				X
Korea, South	X				X
Malaya, Fed. of	X		X	X	
Pakistan	X			X	X
Philippines	X				
Syria	X		X		
Thailand	X		X	X	X
Africa:					
Algeria	X			X	X
Angola	X			X	
Belgian Congo & Ruanda-Urundi				X	X
Cameroun		X	X	X	
Egypt	X				
Ethiopia	X				
Fr. Equat. Africa				X	X
Fr. West Africa		X	X	X	
Ghana			X	X	
Guinea		X		X	
Kenya	X				X
Liberia		X	X	X	
Libya	X		X	X	
Morocco					X
Sudan	X				X
Tanganyika	X				X
Togo		X		X	
Tunisia	X				X

<sup>1</sup> Political entities as they were in 1958. <sup>2</sup> Mainland China, North Korea, North Vietnam.

and other surplus producers in time of flood, earthquake and other natural disasters.

The real problem is to eliminate malnutrition as a factor limiting man's capacity to move ahead.

However, in view of present food deficits, plus existing population pressures and projected population growth, substantial improvements in per capita consumption levels will not come easily in Asia, Africa and Latin America.

**AGRICULTURAL PRODUCTIVITY: Diverging Growth Rates.** Since the less developed world must rely chiefly on land now under cultivation to supply food for future generations, each larger than the last, it will have to greatly increase yields per acre.

To gauge progress to date, the study compares the agricultural productivity of the less developed world with that of the industrial West, prewar to 1960/61.

Grain is used as the indicator of trends in acreage, yields per acre, total production, and output per farm worker and per person of total population.

There are several reasons for this choice. Grains account for 70 per cent of the world's harvested cropland. They provide 52 per cent of man's food energy that is consumed directly and a large part of the remainder that is consumed indirectly in the form of meat, milk and eggs. Also, grains completely dominate world food trade.

Comparisons show that the industrial West and the less developed world produced in the aggregate about the same amount of grain in 1934-38, 334 million and 317 million metric tons respectively.

By 1960/61 both regions had increased total output considerably, but they did it in different ways. The West achieved a 51 per cent increase for an aggregate output of 506 million metric

tons on about the same amount of land it used prewar, mostly because of markedly higher yields in North America and Oceania.

To achieve an increase in total grain output of nearly 42 per cent, for an aggregate of 450 million metric tons, the less developed world used 30 per cent more land than prewar, a resource that cannot now be easily expanded.

In raising yields per acre, the hope of the future, the less developed world has not progressed as rapidly. By 1960/61 it had increased yields per acre only 8 per cent over the 1934-38 base period compared with a 51 per cent increase in the developed world.

By region, the study shows Asia upped yields 7 per cent, Latin America 8 per cent, while yields in North America climbed 109 per cent.

Perhaps the best gauge of agricultural progress is the amount of grain produced for each person in the total population.

For the entire world, grain output per person improved 7 per cent from prewar to 1960/61. The developed countries achieved a 26 per cent increase, from 1,036 to 1,307 pounds a year, for populations that grew relatively slowly. Starting at 494 pounds per person before the war, output in the less developed countries fell sharply during the war and early postwar years. Output per person began to climb during the 1950s, but by 1960/61, with the population explosion already underway, it was still 3 per cent below prewar.

By region, per capita output of grain in 1960/61 was 16 per cent below prewar in Latin America, 2 per cent in Asia. Only Africa among the less developed regions managed to keep ahead of population growth with a per capita increase of 8 per cent.

**TRADE: The Widening Gap.** Rising per capita food consumption and lagging per capita output in Latin America and Asia, plus

**MENUS VARY:** In developed countries where income is higher, people eat more meat and a wider variety of other foods. Less developed countries rely chiefly on low-cost starchy foods.

Region	Percentage of total calories from—					
	Grain products, roots and tubers	Fruits, nuts and vegetables	Sugar	Fats & oils	Livestock products	Fish
<b>Economic regions:</b>	Per cent					
Developed region	47.3	5.9	11.1	14.5	20.7	0.5
Less developed region	71.7	11.5	5.1	5.8	5.1	.8
<b>Geographic regions:</b>						
North America	24.4	9.1	15.8	19.9	30.6	.2
Latin America	50.7	12.3	14.0	8.0	14.7	.3
Western Europe	43.9	6.4	11.2	16.8	20.8	.9
E. Europe & USSR	64.9	3.5	8.0	9.2	14.0	.4
Africa	70.1	11.5	4.1	7.5	6.3	.5
Asia	74.5	11.4	4.1	5.3	3.8	.9
Oceania	30.0	5.6	16.3	12.3	35.2	.6
<b>World</b>	<b>62.7</b>	<b>9.6</b>	<b>7.3</b>	<b>8.9</b>	<b>10.8</b>	<b>.7</b>

**GRAIN YIELDS PER ACRE:** Prewar, the less developed region had average grain yields slightly higher than the developed region. Since the war, yields have risen rapidly in the developed region but remained virtually static in the capital-scarce less developed region.

Region	Yields per acre		
	1934-38	1948-52	1960/61
<b>Economic regions:<sup>1</sup></b>	Pounds		
Developed region	1,018	1,186	1,541
Less developed region	1,032	926	1,116
<b>Geographic regions:</b>			
North America	977	1,453	2,044
Latin America	1,016	992	1,098
Western Europe	1,406	1,490	1,931
Eastern Europe and USSR	946	899	1,133
Africa	584	633	701
Asia	1,120	972	1,195
Oceania	730	979	1,179
<b>World</b>	<b>1,025</b>	<b>1,047</b>	<b>1,307</b>

<sup>1</sup> Less developed region includes Asia, Africa and Latin America. Developed region includes all others.



**GRAIN OUTPUT PER PERSON:** Fast growing populations have kept the less developed region from regaining its prewar per capita output. With a slower rate of population growth, the developed region has moved well ahead of its prewar level, now produces almost three times as much grain per person as the less developed region.

Region	Output per person		
	1934-38	1948-52	1960/61
	Pounds		
<b>Economic regions:</b>			
Developed region	1,036	1,096	1,307
Less developed region	494	423	481
<b>Geographic regions:</b>			
North America	1,693	2,218	2,440
Latin America	560	419	472
Western Europe	544	516	646
Eastern Europe and USSR	1,175	999	1,230
Africa	348	355	375
Asia	509	434	498
Oceania	1,003	1,186	1,517
<b>World</b>	<b>677</b>	<b>626</b>	<b>723</b>

**MEASURE OF PROGRESS:** Grain output per worker in the farm population, a measure of labor productivity, shows North America has about tripled output, Oceania more than doubled output since prewar. Latin America has fallen back slightly while all other regions have gained moderately.

Region	Output per farm worker		
	1934-38	1948-52	1960/61
	Pounds		
<b>Economic regions:</b>			
Developed region	2,707	3,503	4,777
Less developed region	666	648	813
<b>Geographic regions:</b>			
North America	7,282	15,524	21,845
Latin America	888	718	858
Western Europe	1,944	2,048	2,811
Eastern Europe and USSR	2,108	2,125	2,998
Africa	452	538	648
Asia	681	659	831
Oceania	3,675	5,143	8,084
<b>World</b>	<b>1,089</b>	<b>1,140</b>	<b>1,448</b>

higher consumption per person in Africa, have severely altered the trade and foreign exchange position of all three regions.

Prewar, each region was a net exporter of grain, earning foreign exchange needed for economic development. Today all have to import grain to help meet the food needs of their growing populations.

Just before the war, Asia had net grain exports of some 2 million metric tons a year. By 1948-52 it was importing nearly 6 million tons a year and by 1960-61 the figure had jumped to an unprecedented 16 million metric tons. About half of the grain imports in 1960/61 were needed to offset the drop in Asia's own per capita output, about half to provide slightly more food per person.

During the late 1930s Latin America was the dominant supplier of the world grain market, exporting more grain than North America and Oceania put together.

Over the next quarter century Latin America increased production 42 per cent. Population, however, increased 69 per cent. By 1960/61 the region was importing grain both to feed a bigger population and to provide a little more per person.

Never very closely tied to the world economy, Africa was not traditionally either much of a grain exporter or importer. Also, Africa is the only less developed region where grain output has kept pace with population growth. Nevertheless, Africa has slipped over the line from sometime exporter to importer of about 2 million metric tons of grain a year in order to meet its people's growing demand for more food.

Western Europe, of course, has long been the world's biggest grain market, buying what it can't produce. The Soviet Union, currently struggling to produce all its own grain, along with the rest of Eastern Europe will de-

velop a sizeable deficit if past trends continue.

This leaves North America and Oceania as the only major grain suppliers. And North America will become increasingly important as a supplier of grain to the world's deficit regions.

**A HARD LOOK AHEAD.** What will it take to give people in the less developed world 10 per cent more food than they now have by 1980, 20 per cent more by 2000?

Counting domestic production and imports, Latin America, Africa and Asia now have on the average about 489 pounds of grain per person a year.

A 10 per cent increase would make 536 pounds available per person. A 20 per cent increase would up the amount to 584 pounds, about a third the amount of grain per person available today in North America.

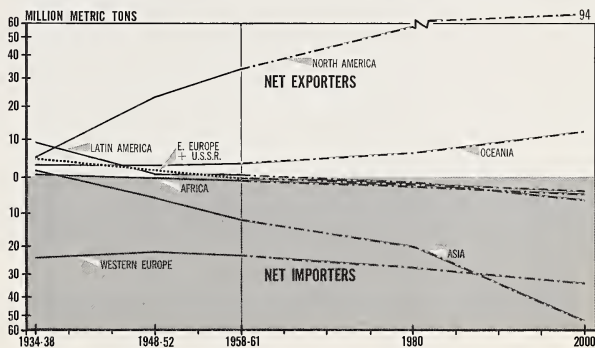
Imports are not the answer. Now running about 19 million metric tons a year, they account for 3 per cent of the total grain supply of the less developed world. By 2000, imports, chiefly from North America, are projected to increase five-fold and account for about 5 per cent of the total supply. But this is about the maximum imports the marketing and transportation systems of the less developed regions can be expected to handle. The other 95 per cent of the grain needed will have to come from domestic production.

This means that the less developed world will have to triple total grain output by the year 2000, from the present level of 433 million metric tons a year to 1,253 million.

For Asia, this means expanding grain output 69 per cent above the present level by 1980, 187 per cent above the present level by 2000.

Africa will have to increase production 22 million metric tons or 58 per cent by 1980 and 62

**DEFICITS GROWING:** Prewar, Asia, Africa and Latin America were all net exporters of grain, earning needed foreign exchange. More people and slightly better diets now require them to import grain. By 2000 the U.S. and Canada will supply far more of the world's needs than today. Asia will supplant Western Europe as the largest importer.



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2322-63 (8)

Region	Total use of fertilizer		
	1938	1950/51	1960/61
Thousand metric tons			
<b>Economic regions:</b>			
Developed region	8,459	13,121	23,596
Less developed region <sup>1</sup>	1,312	1,720	5,009
<b>Geographic regions:</b>			
North America	1,416	4,700	7,541
Latin America	82	290	999
Western Europe	4,119	5,814	9,998
E. Europe and USSR	2,544	2,087	5,127
Africa	200	360	720
Asia <sup>1</sup>	1,030	1,070	3,290
Oceania	380	530	930

**FERTILIZER ESSENTIAL:** Both total use of fertilizer and pounds applied per acre have been much higher in the developed region. As new land becomes scarce, emerging nations look more to yields for additional food and fertilizer assumes a strategic role.

Region	Fertilizer per acre <sup>2</sup>		
	1938	1950/51	1960/61
Pounds			
<b>Economic regions:</b>			
Developed region	26	42	64
Less developed region <sup>1</sup>	4	4	13
<b>Geographic regions:</b>			
North America	13	40	71
Latin America	2	9	24
Western Europe	86	132	220
E. Europe and USSR	15	13	31
Africa	4	7	13
Asia <sup>1</sup>	4	4	11
Oceania	50	77	97

<sup>1</sup> Excludes Communist China but amount of fertilizer used by this country is not large relative to the regional total. <sup>2</sup> Calculated on basis of total acreage planted to grain.

Economic regions	Grain available per person, with projections				
	1934-38	1948-52	1957/58-1960/61	1980	2000
Pounds					
Developed region:					
Production	1,036	1,095	1,252	1,402	1,537
Net trade	+ 33	— 11	— 40	— 73	— 117
Availability	1,069	1,084	1,212	1,329	1,420
Less developed region:					
Production	494	423	474	511	553
Net trade	— 18	+ 4	+ 15	+ 24	+ 31
Availability	476	427	489	535	584

**THE TASK AHEAD:** To provide 20 per cent more food per person by the year 2000, a modest goal, the less developed world will have to add to current grain production an amount almost equal to present world output. Slight declines in output from prewar have been offset up to now by growing imports from the developed world. However, imports now providing 3 per cent of the total food supply, are expected to account for not more than 5 per cent by century's end for a population more than double its present size.

Economic regions	Total grain available, with projections				
	1934-38	1948-52	1957/58-1960/61	1980	2000
Million metric tons					
Developed region:					
Production	334	375	476	679	897
Net trade	+ 11	— 4	— 15	— 35	— 68
Availability	345	371	461	644	829
Less developed region:					
Production	316	334	433	732	1,253
Net trade	— 11	+ 4	+ 15	+ 35	+ 68
Availability	305	338	448	767	1,321

million tons or 163 per cent by the year 2000.

Latin America will need to increase grain output 71 per cent, or 30 million metric tons by 1980, 212 per cent or 89 million tons by the year 2000.

The less developed world has few resources for a task of this magnitude:

**Land:** Limited. As already shown, not much new land can be added to present acreage.

**Agricultural research:** Inade-

quate. Although most less developed countries are tropical or semi-tropical, little research has been done on improving plant varieties and farm methods suitable to the hot, often damp climate.

**Labor:** Abundant. Manpower is expected to be plentiful in agriculture. But more workers per acre can do little to increase output without the addition of capital inputs.

**Fertilizer:** The key to higher

yields, but seriously lacking throughout the less developed region.

The less developed world now uses about 5 million tons of chemical fertilizers a year. Assuming it takes one pound of fertilizer (measured in plant nutrients) to produce 10 pounds of grain, the region would have to increase fertilizer use to 34 million tons to raise per capita grain availability 10 per cent by 1980. A 20 per cent increase in per capita grain availability by 2000 would take 87 million tons of fertilizer a year.

Asia, now using 3.3 million tons of chemical fertilizers annually, will have to increase use to 27 million tons by 1980. In other words, Asia alone in less than 20 years will have to use a quantity of fertilizer almost equal to current world production of 28.6 million tons.

From 1980 to 2000, Asia will need to almost triple fertilizer use, to 67 million tons.

Africa, currently using less than one million metric tons of chemical fertilizers a year, will have to increase the amount to 2.7 million tons by 1980 and to 6.7 million tons by 2000.

Latin America will need to step up fertilizer applications from the current one million tons a year to 4 million by 1980 and to 10 million by 2000.

In sum, a great increase in the use of chemical fertilizers is essential to the ultimate solution of the growing food problem.

But to build enough chemical fertilizer plants to raise fertilizer use from the current level of 5 million metric tons a year to 87 million metric tons by 2000 will require a tremendous capital investment. And most of the less developed countries have little money to invest in agriculture.

While actually confined to less developed countries, the growing food problem is in a larger sense a world problem. The industrial West is equally committed to its solution. (40)



# RECENT PUBLICATIONS

*The following publications are issued by the Economic Research Service and cooperatively by the state universities and colleges. Unless otherwise noted, reports listed here and under Sources are published by ERS. Single copies are available free from the Division of Information, OMS, U.S. Department of Agriculture, Washington, D.C. 20250. State publications may be obtained from the issuing agencies of the respective states.*

**THE DOMINICAN REPUBLIC—AGRICULTURE AND TRADE.** Leon G. Mears, Regional Analysis Division. ERS-Foreign 51.

The Dominican Republic's foreign trade is growing rapidly, and the United States is sharing in the increase. The United States is the principal market for Dominican agricultural exports as well as the major source for its farm and nonfarm imports. With recent wage increases and the decline in unemployment the purchasing power of the Dominican people

has increased and new import demand has resulted.

**NEW ZEALAND'S AGRICULTURAL PRODUCTION, MARKETING, AND TRADE POLICIES AND THEIR BEARING ON U. S. FARM EXPORTS.** Mary E. Long, Regional Analysis Division. FAER-9.

This study was made to obtain more thorough knowledge of the competition faced by U. S. farmers from New Zealand's products in both local and foreign markets. Until recently the bulk of New Zealand's exports went to the United Kingdom, but since 1958 a larger proportion has been diverted to the United States, Japan, and certain West European countries. In the New Zealand market, the United States encounters stiff competition from Australia and the British West Indies.

**SPECIAL PROMOTIONAL PROGRAMS FOR WINTER PEARS—THEIR EFFECTS ON SALES OF WINTER PEARS AND OTHER FRUITS.** James F.

Hind, Cleveland P. Eley, and Carl R. Twining, Marketing Economics Division. MRR-611.

Research was conducted in 75 food supermarkets in five cities over a 20-week period to evaluate the relative sales effectiveness of four promotional techniques for winter pears. Techniques tested were: (1) point-of-purchase displays, (2) store demonstrations, (3) dealer contests with cash prizes, and (4) media advertising programs of low intensity. Store demonstrations and dealer contests were the most effective techniques.

**CHANGES IN THE MARKET STRUCTURE OF THE BREAKFAST FOODS INDUSTRY.** Walter G. Heid, Jr., Marketing Economics Division. MRR-623.

Important structural changes in the breakfast foods industry from 1947-49 to 1961 are examined in this report. The number of establishments manufacturing prepared breakfast foods decreased from 64 in 1947 to 43 in 1958—33 per cent. At the same time the number of companies decreased 58 per cent. Consumer preference was switching from hot cooked cereals to cold ready-to-eat breakfast foods. Ready-to-eat cereals increased from 45 per cent of total production in 1939 to an estimated 65 per cent in 1961. Larger volumes of grain, grain products, and breakfast foods were flowing through fewer channels in 1961 than previously.

**STATISTICS ON THE EUROPEAN ECONOMIC COMMUNITY. VOL. 2—AGRICULTURAL PRODUCTION AND CONSUMPTION.** Regional Analysis Division. ERS-Foreign 46.

The Department of Agriculture has compiled data pertaining to

## Sources for this issue:

1. Changes in Farm Production and Efficiency, 1963, SB-233, Rev. July '63 (P); 2. Changes in Farm Production and Efficiency, 1962, SB-233, Rev. Sept. '62 (P); 3. Farm Cost Situation, FCS-84 (P); 4. Agricultural Finance Review, Vol. 24 (P); 5. P. L. Strickland, Jr., and J. Partenheimer, Optimum Farm Organization and Aggregate Area Production, Limestone Valley Areas, Alabama, Ala. Agr. Expt. Sta., Agr. Econ. Ser. 1 (P); 6. J. D. Rush (SM); 7. Farm Mortgage Lending, FML-8 (P); 8. M. L. Cotner, M. E. Wirth and J. R. Brake, Credit Experiences of Commercial Crop and Livestock Farmers in Purchasing Land in Michigan (M); 9. R. Wolter, R. A. Christiansen, and S. S. Stanforth, Statistical Summary with Comparisons—Wisconsin Farmers Home Administration Borrowers, Univ. of Wisc. Coll. of Agr. (M); 10. Agricultural Finance Review, Vol. 24 (P); 12. Fruit Situation, TFS-147 (P); 13. Farm Real Estate Market Developments, CD-64 (P); 14. Fats and Oil Situation, FOS-219 (P); 15. F. T. Cooke, Jr., Economics of Supplemental Irrigation in Cotton, Yazoo, Mississippi Delta, Miss. Agr. Expt. Sta. Bul. (M); 16. Cotton Situation, CS-207 (P); 17. P. L. Strickland, Jr., and C. C. Turner, Cotton Insect Control and Related Production Practices, Limestone Valley Areas, Alabama, 1961, Ala. Agr. Expt. Sta., Agr. Econ. Mimeo. (P); 18. H. L. Stewart (SM); 19. Agricultural Finance Review, Vol. 24 (P); 20. R. R.

- Stansberry, Jr., The Rural Fringe and Urban Expansion (M); 21. E. Youmans, The Rural School Dropout: A Ten-Year Followup Study of Eastern Kentucky Youth (M); 22. P. T. Bachmura (SM); 23. J. D. Cowhig, Age-Grade School Progress of Farm and Nonfarm Youth: 1960 (M); 24. A. C. Manthey, The Changing Market Structure for Perishables, (S); 25. Fruit Situation, TFS-148 (P); 26. W. T. Manley and M. R. Goodwin, Marketing Florida Vine-Ripened Tomatoes, Fla. Agr. Expt. Sta. Bul. (M); 27. P. L. Henderson, J. F. Hind and S. E. Brown (SM); 28. Fats and Oils Situation, FOS-219 (P); 29. H. L. Hall (SM); 30. C. Davenport (SM); 31. J. Hannan (SM); 32. Agricultural Protection by Nontariff Trade Barriers, ERS-F60 (P); 33. A. Bernitz, An Evaluation of West Germany's Domestic Agricultural Assistance Program, ERS F 62 (P); 34. A. Bernitz, Summary and Evaluation of "Austria: Projected Level of Supply, Demand and Trade of Agricultural Products in 1965 and 1975" (M); 35. E. N. DeBois and R. L. Tontz, Export Payment Assistance to U.S. Agricultural Exports, Foreign Agricultural Trade, June 1963 (P); 36. Regional Analysis Division (SM); 37. J. Galvin (SM); 38. Fruit Situation, TFS-148 (P); 39. National Food Situation, NFS-104 (P); 40. L. R. Brown, Man, Land and Food (M); 41. Farm Cost Situation, FCS 84 (P).

(Speech (S); published report (P); report in process (M); Special material (SM).

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the production, utilization, and trade of agricultural commodities for the Common Market members, Greece and those countries which are currently applicants for membership. Because of the magnitude of this data, the material has been published in two volumes. This volume contains data on acreage, yields, livestock numbers, output, prices, farm requisites, and food consumption. Volume 1 (ERS-Foreign 43) contains information on trade, finance, income, and population.

**ECONOMIC FEASIBILITY OF RADIATION-PASTEURIZING FRESH STRAWBERRIES, PEACHES, TOMATOES, GRAPES, ORANGES AND GRAPEFRUIT.** John H. Droge, Marketing Economics Division. ERS-131.

Ionizing radiation pasteurization is a method that might be

used to extend the cold storage life of fresh strawberries, peaches, tomatoes, grapes, oranges, and grapefruit. Fresh produce handlers who were surveyed gave two main advantages of the process: It would reduce spoilage losses, and maintain quality. Among the disadvantages they expected is consumer resistance due to fear of the process. The Department of Agriculture conducted this study for the U. S. Atomic Energy Commission.

**CHANGING SHIPPING PATTERNS ON THE ST. LAWRENCE SEAWAY—WITH EMPHASIS ON UNITED STATES GRAIN EXPORTS.** Marketing Economics Division. MRR-621.

Traffic on the St. Lawrence Seaway more than doubled in the period 1958-62, rising from 11.8 million tons to nearly 26.0 million

tons. Agricultural commodities were 42 per cent of the tonnage moved through the St. Lawrence River in 1958, and 47 percent in 1961. Grain was more than 85 per cent of all agricultural tonnage. This study evaluates the traffic record of the new waterway since it opened.

**AGRICULTURAL PROTECTION BY NONTARIFF TRADE BARRIERS.** ERS-Foreign 60.

The following nontariff controls were studied: Import quotas and embargoes, variable levies and gate price system, conditional imports, monopolies, advance deposits on imports, import discrimination and preferential treatment, import licensing and bilateral agreements. The study was made by ERS in cooperation with the Foreign Agricultural Service.



# THE FARM INDEX

ECONOMIC RESEARCH SERVICE  
U. S. DEPARTMENT OF AGRICULTURE

NOVEMBER 1963



## OUTLOOK 1964

THE YEAR AHEAD FOR

FARMING

MARKETING

THE FOREIGN MARKET

THE CONSUMER

OUTLOOK CHARTBOOK

WITH PROJECTIONS  
TO 1968

# ECONOMIC TRENDS

Item	Unit or base period	'57-'59 Average	1962		1963		
			Year	September	July	August	September
<b>Prices:</b>							
Prices received by farmers	1910-14=100	242	243	250	245	242	241
Crops	1910-14=100	223	230	231	239	234	232
Livestock and products	1910-14=100	258	255	266	249	249	249
Prices paid, interest, taxes and wage rates	1910-14=100	292	306	307	312	311	311
Family living items	1910-14=100	286	294	294	299	298	297
Production items	1910-14=100	262	269	271	273	273	273
Parity ratio		83	79	81	79	78	77
Wholesale prices, all commodities	1957-59=100	100.6	101.2	100.6	100.6	100.4	100.3
Commodities other than farm and food	1957-59=100	100.8	100.8	100.8	100.8	100.8	100.8
Farm products	1957-59=100	97.7	100.6	96.8	96.8	96.3	95.4
Food, processed	1957-59=100	101.2	103.3	102.2	102.2	100.9	100.9
Consumer price index, all items	1957-59=100	105.4	106.1	107.1	107.1	107.1	107.1
Food	1957-59=100	103.6	104.8	106.2	106.2	106.0	106.0
<b>Farm Food Market Basket:<sup>1</sup></b>							
Retail cost	Dollars	1,037	1,067	1,085	1,088	1,090	
Farm value	Dollars	410	410	423	403	397	
Farm-retail spread	Dollars	627	657	662	685	693	
Farmers' share of retail cost	Per cent	40	38	39	37	36	
<b>Farm Income:</b>							
Volume of farm marketings	1947-49=100	123	136	150	130	138	155
Cash receipts from farm marketings	Million dollars	32,247	35,921	3,439	2,781	2,928	3,400
Crops	Million dollars	13,766	15,935	1,728	1,197	1,279	1,700
Livestock and products	Million dollars	18,481	19,986	1,711	1,584	1,649	1,700
Realized gross income <sup>2</sup>	Billion dollars		40.8	40.7			41.1
Farm production expenses <sup>2</sup>	Billion dollars		28.2	28.3			28.9
Realized net income <sup>2</sup>	Billion dollars		12.6	12.4			12.2
<b>Agricultural Trade:</b>							
Agricultural exports	Million dollars	4,105	5,031	396	410	408	
Agricultural imports	Million dollars	3,977	3,876	313	335	347	
<b>Land Values:</b>							
Average value per acre	1957-59=100		118 <sup>3</sup>	120 <sup>4</sup>	127		
Total value of farm real estate	Billion dollars		137.4 <sup>3</sup>	139.5 <sup>4</sup>	148.1		
<b>Gross National Product<sup>2</sup></b>							
Consumption <sup>2</sup>	Billion dollars	456.7	554.9	556.8			588.5
Investment <sup>2</sup>	Billion dollars	297.3	355.4	356.7			374.3
Government expenditures <sup>2</sup>	Billion dollars	65.1	78.8	78.9			83.9
Net exports <sup>2</sup>	Billion dollars	92.4	117.0	117.0			126.0
	Billion dollars	1.8	3.8	4.1			4.3
<b>Income and Spending:</b>							
Personal income, annual rate	Billion dollars		442.1	445.5	464.2	465.1	466.4
Total retail sales <sup>3</sup>	Million dollars		19,613	19,769	20,719	20,676	20,170
Retail sales of food group <sup>3</sup>	Million dollars		4,801	4,877	5,030	5,009	
<b>Employment and Wages: <sup>5</sup></b>							
Total civilian employment	Millions		67.8	68.2	69.2	68.9	69.1
Agricultural	Millions		5.2	5.1	5.0	4.8	4.9
Rate of unemployment	Per cent		5.6	5.6	5.6	5.5	5.6
Workweek in manufacturing	Hours		40.4	40.7	40.4	40.3	40.6
Hourly earnings in manufacturing, unadjusted	Dollars		2.39	2.39	2.45	2.43	2.46
<b>Industrial Production <sup>5</sup></b>							
1957-59=100			118	120	126	126	126
<b>Manufacturers' Sales and Inventories:</b>							
Total sales, monthly rate <sup>5</sup>	Million dollars		33,260	33,680	35,930	35,440	
Total inventories	Million dollars		57,210	57,190	58,930	58,980	
Total new orders, monthly rate	Million dollars		33,050	33,230	35,530	35,080	

<sup>1</sup> Average annual quantities of farm food products based on purchases per wage-earner or clerical-worker family in 1952—estimated monthly.  
<sup>2</sup> Annual rates seasonally adjusted third quarter. <sup>3</sup> As of March 1. <sup>4</sup> As of July 1. <sup>5</sup> Seasonally adjusted.

Sources: U.S. Department of Agriculture (Farm Income Situation, Market-

ing and Transportation Situation, Agricultural Prices, Foreign Agricultural Trade and Farm Real Estate Market Developments); U.S. Department of Commerce (Industry Survey, Business News Reports, Advance Retail Sales Report and Survey of Current Business); and U.S. Department of Labor (The Labor Force and Wholesale Price Index).

Please write in the following changes in your copy of the November (Outlook) issue of The Farm INDEX:

On page 17, in the paragraph beginning

"Commercial sales for dollars were at a record level in fiscal 1963....."change the figure \$1.6 to \$1.5.

On page 27, in the paragraph beginning

"The outlook for fiscal 1964...."  
change the figure \$5 to \$5.1.

On page 27, in the paragraph beginning

"A large part of the \$1 billion increase....."  
change the figure \$1.6 to \$1.8.

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# COMMODITY HIGHLIGHTS

*(The general situation and outlook this month are carried in the chartbook beginning page 11.)*

October crop production estimates suggest a banner 1963 for major oilseed crops. Estimated soybean output is a record 727 million bushels, 8 per cent over 1962 and 28 per cent above 1957-61. Cottonseed output, set at 6.2 million tons, is highest since 1953, a bit over 1962 and 13 per cent over the 1957-61 average. Flaxseed—1963 crop is put at 31 million bushels, 3 per cent under last year but 14 per cent over average.

Total wheat and flour exports may reach 1 billion bushels in 1963-64, based on current world demand and prospective sales of about 200 million bushels to Soviet Union and East European bloc countries. If these exports materialize, wheat carryover next July may drop to 725 million bushels—465 million under last July and smallest since 1953. Prices to U.S. farmers for the 1963 crop may average moderately above \$1.82 national average loan rate this year, reflecting tightly held private supplies, active demand.

Current cotton crop is set at 14.8 million bales, except for 1962 the largest crop since 1953. Acreage is 8 per cent under 1962, but record 500-pound

per acre yield means little production change. Carryover next August may exceed 12 million bales, second only to high in 1956. Both mill use and exports are up; exports may rise 1.6 million bales from last season.

Larger fed-beef supplies at heavy weights may boost winter beef production, keep prices from advancing. Hog slaughter next January-June could average just under year earlier with improved prices, especially in 1964's second quarter. Last June-August, Corn Belt farrowings gained 2 per cent, but a 3 per cent dip was intended for September-November. Winter lamb prices are likely to stay below a year earlier, due to strong competition from other meats.

October indicated feed grain supply is 214 million tons for 1963-64, slightly under last year but over 1957-61 average. Current crop of 152 million tons is 9 million over 1962 but carryover is down 10 million tons. Next year's use may exceed 1963 crop by 3 to 4 million tons, resulting in a further reduction in carryover in 1963-64. Record crop brings total corn supply to 5,310 million bushels, just over a year earlier. Increased corn use could mean drop in carryover by October 1, 1964, but less than the big reduction during last two years. More livestock is expected to strengthen feed grain demand in 1963-64. Feed grain prices may average near 1962-63 levels.

Farm egg production in 1963 may slightly surpass last year's 175 million cases. But largely due to population growth, supplies per capita are down. Producers may get a cent more per dozen this year than 1962's 33.7 cents. Broiler output in 1963: 4 per cent over last year's 6,919 million pounds. Current year prices may average 0.6 cents per pound below 15.2 cents in 1962. Chicken consumption may hit new high: 30.6 pounds per capita. Turkeys: 1963 production about like 1962. Supplies and per capita use, both down a bit. Farm prices may go a cent over 21.6 cents per pound in 1962.

Milk production in 1964? About 125 billion pounds. Cow numbers are declining faster than 1962 but production per cow is still going up. Next year's milk prices to farmers may be a bit higher than 1963. Commercial use of milk and dairy products is up. Stepped up exports are reducing government butter and nonfat dry milk carryover from record levels.

## CONTENTS

	Page
THE FARM	4
OUTLOOK CHARTBOOK	11
MARKETING	23
THE FOREIGN MARKET	27
THE CONSUMER	30
RECENT PUBLICATIONS	31

Numbers in parentheses at end of stories refer to sources listed at end of issue.

The FARM INDEX is published monthly by the Economic Research Service, U.S. Department of Agriculture. November 1963. Vol. II, No. 11.

The contents of this magazine are based largely on research of the Economic Research Service and on material developed in cooperation with state agricultural experiment stations. All articles may be reprinted without permission. For information about the contents, write the editor, The FARM INDEX, Office of Management Services, U.S. Department of Agriculture, Washington, D.C. 20250.

Use of funds for printing this publication approved by the Director of the Bureau of the Budget, May 24, 1962. Subscription orders should be sent to the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Price 20 cents (single copy). Subscription price: \$2.00 per year; 75 cents additional for foreign mailing.

EDITOR, Theodore Crane; ASSISTANT EDITOR, Story E. Moore-field; STAFF EDITORS, Marilyn Harrison Grantham and John Metelsky; PRODUCTION EDITOR, Lilla Dunovant McCutchen.





## FARM COST FORECAST

Production expenses are expected to total about \$28.7 billion in 1963, compared with the previous record of \$28.2 billion in 1962. Most of this increase is due to higher average prices paid for production goods and services, including interest, taxes and wage rates. The outlook for 1964 indicates a further rise in production expenses at least equal to 1963.

As a result of the overall rise in expenses this year, net income realized from farming in 1963 will probably drop from 1962, despite slightly higher cash receipts from marketings and a continued high rate of government payments to farmers. However, the decline in farm numbers may mean little change in net income per farm.

**Farm labor.** Farm wage rates have increased in 1963 and are expected to rise again in 1964. The total farm wage bill in 1964 will be about the same because the number of hired workers is expected to decline. The national average of cash farm wages is now about 88 cents an hour.

**Livestock.** Prices paid by farmers for feeder and replacement livestock in October 1963 averaged 12 per cent lower than a year earlier and 7 per cent lower than

in the spring of this year. The decline in prices paid for feeder cattle and pigs accounted for most of the reduction from a year ago. Most of the decline since spring was caused by a seasonal drop in prices for baby chicks and turkey poults and somewhat lower prices for feeder lambs.

**Farm real estate.** Market prices of real estate increased 6 per cent an acre in the year ending July 1, 1963, compared with 5 per cent in the preceding 12 months. Continued strong demand among farmers for additional land with a limited supply for sale, has stimulated higher land prices.

**Interest.** Interest payments in 1963 on real estate loans and production credit were 11 per cent above those in 1962. Total interest costs in 1964 are expected to show a further rise. Total farm debt is expected to reach \$30.5 billion by January 1, 1964, about 9 per cent above the amount owed a year earlier.

**Taxes.** Taxes levied on farm real estate in 1962 averaged \$1.36 per acre, up 5.4 per cent from 1961. Preliminary reports on 1963 levies indicate that they are continuing to rise at about the same rate. (1)

## Reading of Farmers' Financial Pulse: Stronger in Assets, Debts, Equity

The 1964 farm financial outlook is for continued increases in assets and equities but some decline in net income.

The value of farm assets is expected to reach \$226 billion by the end of 1963—up nearly \$10 billion from the beginning of the year. Although farm debts will be up \$2.8 billion, equities will be nearly \$7 billion higher.

Most of the gain in farm assets during 1963 is the result of rising land values. By January 1, 1964, farm real estate will be worth roughly \$152 billion. If land values continue to rise as anticipated, farm assets and equities will increase further in 1964.

Realized net income is down about 3 per cent this year from last because of higher farm costs and reduced returns from livestock. With costs continuing upward, an additional drop of 6 to 8 per cent in realized net farm income is anticipated for 1964 if receipts from wheat (sales and government payments) are reduced as much as expected.

The prospect for wheat in 1964 would be even less favorable except for the potential large exports to the Common Market and the Soviet Union.

Farm credit needs have been exceptionally large in 1963 and will continue heavy in 1964. However, farm debt is not expected to rise as much in 1964 as this year because of indications that credit may be somewhat less readily available and that some farmers may become more cautious about incurring long-term debt.

Despite the increase in farm debt this year, loan delinquencies have been few. Apparently most farmer-borrowers have been able to carry the larger debts. However, capital appreciation, particularly in land values, has helped some who were burdened by debt to sell out at a good price. (28)

## Estate Planning Cuts Death Taxes, Frees Cash for Farm Improvements

Rates for estate and inheritance taxes—the so-called death taxes—haven't changed much over the years. But family farms have. To return an adequate income, farms have to be bigger, with more capital invested in land, buildings and equipment. As a result, more farms have climbed into the capital assets bracket that is subject to taxation when the owner dies.

Do death taxes cut into the estate to such an extent that the heirs can't continue to operate the farm efficiently? A new ERS study says that for most types of farms in most states the answer is a qualified "no." It also shows how important careful estate planning can be in reducing death taxes.

The federal government levies an estate tax only. It applies to the entire taxable estate according to a single rate schedule. The first \$60,000 is exempt, and up to half of the total estate can be left tax-free to the wife. Rates vary from 3 per cent on the first \$5,000 of taxable estate to 77 per cent of the amount over \$10 million. But part of the amount that goes to meet state taxes can often be credited against the federal assessment.

Some states use the estate tax, but most rely on the inheritance tax, which assesses the distributed shares of the estate. Typically the inheritance tax applies lower rates to shares passing to close relatives than it does to distant relatives or unrelated persons.

While the federal estate tax is uniform, inheritance taxes vary widely among states. Take a \$200,000 estate, left half to the widow and one-fourth to each of two adult children. Combined federal and state death taxes would run 2.4 per cent in Alabama, 4.2 per cent in Indiana, and 6.9 per cent in Wisconsin.

Taxes are higher if the wife is

no longer living, mostly because her half share is no longer exempt from the federal estate tax. In Indiana, for example, total tax on the complete transfer to one son of a \$200,000 estate would be close to 19 per cent, compared with about 7 per cent if it went half to the widow and one-fourth to each of two children with the widow's share passing on to the children at her death.

The federal estate tax can sometimes be paid in installments over a 10-year period. But the states are not usually so generous. With most of their capital tied up in property, some heirs have to borrow money to meet state payments.

To keep their heirs from having to resort to these measures, some older farmers may hold more of their assets in the form of cash or securities that can easily be sold for cash.

Estate planning takes compe-

tent legal advice, but it offers several ways to reduce death taxes. One way is to transfer part or all of the estate to the heirs as a gift. A farmer can give each heir \$3,000 a year, plus another \$30,000 to all heirs during his lifetime free of gift tax. His wife can do the same, thus doubling the total gift. Or they can give even more of the estate, paying a gift tax on the taxable portion. Gift tax rates are lower.

Another way is to put the estate in trust, with the income assigned to the children and the farm passing to the grandchildren when the children die. It is often possible to bypass one set of death taxes with this device. Again, good legal advice is vital.

On balance, death taxes don't seem to be a major problem to most farmers, but they are something farm operators should think about and plan for before they come due. (2)

**WHO HOLDS THE FARM MORTGAGE DEBT?** According to USDA's farm mortgage figures for January 1 this year, farmers' largest single source has been life insurance companies. The federal land banks held the second place share of total farm real estate debt, followed by all operating banks and the Farmers Home Administration. During the five-year period from 1958 to the present, total farm mortgage debt increased 48 per cent. From January 1, 1962, to January 1, 1963, the increase was 10.6 per cent. (3)

Year	Life insurance companies	Federal land banks	All operating banks	FHA	Other farm mortgage debt	Total farm mortgage debt
Million dollars						
1958	2,579	1,897	1,414	340	4,152	10,382
1959	2,661	2,065	1,512	388	4,465	11,091
1960	2,820	2,335	1,625	437	4,857	12,074
1961	2,975	2,538	1,686	482	5,131	12,812
1962	3,162	2,802	1,785	566	5,576	13,891
1963 <sup>1</sup>	3,397	3,023	2,053	709	6,180	15,362
Per cent change <sup>2</sup>						
1958 to 1963	31.7	59.3	45.2	108.7	48.8	48.0
1962 to 1963	7.4	7.9	15.1	25.3	10.8	10.6

<sup>1</sup> Preliminary. <sup>2</sup> Computed from unrounded data.

## Research Reveals Economic Future For Dairymen in Lake States Region

What's in store for Lake States dairymen? Fewer milk producers, higher output and slightly lower farm prices, according to economic projections for 1965. In other words, it's a continuation of existing trends.

The Lake States region has long been a leader in milk production. In 1961, three of these states, Michigan, Minnesota and Wisconsin, contributed 26.8 per cent of national milk output. This concentration of production makes the area a milk surplus region. The fluid milk market is dominated by the Chicago order market. The bulk of the milk output of the region goes into the manufacture of butter, milk powder, ice cream and cheese.

An economic analysis of dairying in the Lake States by ERS in cooperation with the Agricultural Experiment Stations of Illinois, Iowa, Michigan, Minnesota and Wisconsin indicates that balancing supply and demand for fluid milk and products would allow for an additional 9 per cent of production in this region by 1965 compared to 1959. The increase would result from growth in population, higher consumer income and lower farm prices for milk.

Although consumer demand for fluid milk and cream is expected to continue to decline, demand for manufactured products in the U.S. should increase over the next two or three years. Per capita use of all milk will continue to drop rapidly but will be more than offset by a 10.3 per cent increase in total population.

These trends in demand for

milk and the opportunities to use improved technology indicate several profitable alternatives for dairymen in the Lake States. The grade A producers can more easily increase output as their competitive position is stronger compared to grade B producers. However, these farmers need to continue to improve the size and quality of their herds and many could well consider the installation of labor saving, loose-housing arrangements and the mechanization of feeding for their cows.

Many of the grade B producers will find it more profitable to reduce milk output and shift to feeding more hogs and beef. Some grade A men on farms with Corn Belt type soils might also consider adding to their livestock feeding enterprises. However, the analysis revealed that less than \$17.50 per hundredweight for hogs would not make them as profitable as milk production for most producers selling fluid milk.

Within the region, the largest increase in milk output would be profitable for dairymen in Michigan where alternatives in livestock production are limited. Expansion of milk production in east central Minnesota and west central Wisconsin is less advisable because the farms are smaller and would have to be consolidated into larger units to provide adequate land and capital resources. (4)

## Costs of Producing Slaughter Beef Are Related to Location of Feedlot

What affects the cost of producing fed beef in one area compared to another? The cost of the feeder animal. The cost per hundredweight of gain. Nonfeed costs.

Take the cost of the feeder steer or heifer delivered to the feedlot. This item will depend somewhat on the concentration of the cattle feeding industry in the area and the distance from the supply of feeder animals. As cattle feeding

## BUDGETED INCOMES OF DAIRY FARMERS DEPEND ON OUTPUT

A competent New England dairy farmer with 32 cows might reasonably expect to earn \$5,500 a year.

He's at the top of the income scale in a series of four budgets.

The budgets were tied to annual milk outputs of 2,400 hundredweight, 2,880 hundredweight, 3,360 hundredweight and 3,840 hundredweight.

A minimum cost budget for the dairy farm at the bottom of the scale would include 20 cows with 67 acres of land. The farm is essentially a one-man operation, as is true of all the other budgets. Some 324 extra hours of labor—mostly family labor—are also included in the plan. At this production level, the operator earns 19 cents per dollar of gross sales or \$2,500 a year.

For the next higher milk output, the farmer needs 24 cows, and 80 acres. His earnings would, theoretically, amount to 22 cents per dollar of gross sales or \$3,500 a year.

At a 3,360-hundredweight output level, the farmer needs 28 cows and 93 acres. He would earn about 25 cents per dollar of gross sales—\$4,500 a year.

The largest budget calls for 32 cows and 106 acres. The farmer earns 26 cents per dollar of gross sales or \$5,500 a year.

In all the budgets about half the farm acreage is in cropland and rotation pasture.

The figures for the operator's earnings equal the cash return to the farmer for his labor and management, after deducting from gross sales the annual expenses associated with the business. The expenses do not include the cost of the farmhouse nor any allowance for repayment of capital. However, the expenses do include a charge of 5 per cent on the total investment.

In all the budgets, average production per cow is 12,000 pounds of 3.8 per cent milk a year. The farm price of milk is \$5 per hundredweight. (5)



expands in a region, operators must go farther afield to fill their lots. Naturally this increases the cost of the cattle.

Once the outlay is made for the livestock, feed costs are the next expense for cattle feeders. Feed is the most important part of the cost of gain. Areas of concentrated feed grain production, as a rule, provide generous supplies of low-cost concentrates. Even in grain deficit areas, some feeding of grains is necessary for finishing feeders. Use of local hay and pasture can partly offset the extra cost of concentrates.

Climate and managerial ability also affect the rate of gain of feeder cattle. For example, both severe cold and extreme humid heat reduce the rate of gain. An unfavorable climate can also result in higher overhead costs for buildings and maintenance in ad-

dition to its effect on gain.

Non-feed costs depend on the scale of individual operations. Feedlots on small farms have vastly different costs compared to large mechanized businesses. Costs for the large lots also vary with mechanization. (6)

## Salinas Valley on California's Coast Grows 20% of the U.S. Salad Bowl

California leads the nation in the production of truck crops, and Monterey County, the lettuce capital of the nation, is one of the principal contributors to the state's output.

In 1959, the Salinas Valley in Monterey County harvested more than 20 per cent of the entire lettuce acreage in the United States.

According to the 1959 Census of Agriculture, the sale of vege-

tables from Monterey County exceeded \$40,505,000, more than 15 per cent of the state total. Though fewer than 6 per cent of the state's vegetable farms were located in the county, they accounted for over 14 per cent of the harvested acreage of vegetables.

The Salinas Valley's moderate, cool, humid climate provides nearly ideal conditions for lettuce and other cool weather crops such as artichokes, broccoli, cauliflower and cabbage.

The average farm in Monterey County has 248 acres of cropland, according to a 1959 sample taken of 37 per cent of the vegetable farms in the area.

Vegetables were grown on 142 acres, or about 57 per cent of the cropland. Though most vegetables were grown for the fresh market, spinach, tomatoes, and a few other crops destined for the processor took up an average of 20 acres per farm.

More than half the farms in the area grew only one truck crop. Only about one-fifth of the farms produced three or more crops.

Lettuce is by far the No. 1 truck crop in the county. Lettuce was grown on 44 per cent of the survey farms and accounted for 58 per cent of the vegetable acreage.

On farms where lettuce was produced, this crop averaged 186 acres. (8)

## Study in Lower Rio Grande Valley Guides Choice of Profitable Crops

Hidalgo, Willacy and Cameron are the last Texas counties along the Rio Grande as it meanders into the Gulf. The soil is mostly clay. The land is dry with little vegetation. The major crops, produced mostly under irrigation, are cotton and truck crops.

To help farmers choose the crops and capital inputs that will make the most of these clay soils the Economic Research Service, along with the Texas Agricultural

## IMPERIAL VALLEY WORTH \$30 MILLION IN VEGETABLES

The arid but irrigated desert lands of California's southernmost Imperial County produced more than \$30 million worth of truck crops in 1959, according to the Census of Agriculture, or 11 per cent of the state's total output.

This performance level makes the Imperial Valley the leading production area in the West for winter vegetables.

Imperial County harvests its truck crops from 59,353 acres divided among 336 farms averaging 177 acres.

In 1959 a survey was made of 108 of these farms. They averaged 849 acres of cropland, with vegetables on 293 acres. This higher average is primarily the result of a concentration of large-scale lettuce farms.

Sales from the Imperial Valley farms averaged \$509 per acre harvested, compared with \$409 per acre of vegetables for the entire state. The difference of \$100 in gross income per acre was largely

the result of higher prices brought by winter vegetables. Furthermore, the grower in the Imperial Valley generally produced for the higher priced fresh market.

But there is a vast difference between gross and net returns, and producing winter vegetables is a costly business. Growers in the valley spent up to \$100 per acre on materials alone to protect their crops from the cold winds and frosts that sweep the valley in December and January. Such protection also called for much more hand labor—52 hours per acre of staked tomatoes for setting brush and paper.

The survey farms represented 32 per cent of all truck crop operations in Imperial County. Most of the farms concentrated on only one or two crops.

Rainfall is a scant two to three inches a year in the Imperial Valley. Crop production depends entirely on irrigation water from the Colorado River. (7)

Experiment Station, has prepared budgets for various commodities.

The budgets are based in part on actual cost and return figures supplied by leading farmers in the area.

In addition to such cash expenses as labor and irrigation costs, the budgets take into account interest on operating capital and depreciation on machinery and equipment. But they don't include such outlays as taxes and interest on real estate investment which remain fixed regardless of what crops are grown.

So the budgets are guides rather than exact estimates of potential crop yields and farm income per acre:

<i>Crop</i>	<i>Gross receipts</i>	<i>Specified expenses</i>	<i>Net returns per acre</i>
Cotton—winter fallow	\$267.40	\$172.71	\$ 94.69
Cotton—fall vegetable	267.40	163.12	104.28
Beets	106.00	73.03	32.97
Cabbage	161.25	129.23	32.02
Carrots	135.00	101.26	33.74
Lettuce	520.00	190.11	329.89
Onions	459.00	130.93	328.07
Green peppers	315.00	258.70	56.30
Sweet corn	112.50	74.93	37.57
Tomatoes	145.50	107.86	37.64
Grain sorghum	58.65	41.59	17.06

Cotton yields run 732 pounds (lint) per acre, whether the land lies fallow in the fall or is planted to vegetables. But double cropping lowers cotton production costs since it takes less land preparation.

The high returns shown for lettuce and onions would seem to encourage farmers to produce these crops exclusively. Overproduction, however, would cause market prices to fall sharply.

The report also includes detailed cost figures for seed, labor, machinery and other inputs.

The study is part of an extensive research program to appraise the changing farm opportunities in 12 southern states. (9)

## Farm Population in Texas Blacklands Shows Sharp Drop in Two Decades

Many farmers in the Blackland Prairie of Texas have hung up their hoes and moved to the city. They couldn't make a living on the farm.

Like most rural areas of the nation, the Blacklands have lost the greater part of their farm population to cities in recent decades. In 1940, about 358,000 persons lived on farms in the Blacklands. By 1960, this number had dwindled to 96,000.

These figures are from a study conducted by the Texas Agricultural Experiment Station in conjunction with ERS.

The study showed that the 10 million acres of farmland in the Blacklands area is steadily losing cropland to livestock and pasture. Cotton, long the major crop, is still the largest source of farm income. But cotton yields have remained about the same through the years and the cut in cotton acreage takes a big bite out of farm income.

The return to farm family labor on a typical Blackland cotton farm in 1961 was 29 cents per hour, down from the 1947-49 average of 86 cents and the 1957-59 average of 39 cents per hour.

Substitutions in farm enterprises have not fully compensated farmers for the cash they have lost from cotton. In 1959, one-eighth of the farm families had a cash income of less than \$1,000.

The low incomes usually are associated with heads of families who are either women, aged, disabled or poorly educated. For example, farm operators with a high school education or better received about \$5,400 in 1959 compared with the \$2,200 received by farmers with less than five years of school.

Among rural heads of families in the area, 34 per cent have one or more of the above "low-income traits." (11)

## FARM BASEMENTS WOULD PROVIDE DISASTER PROTECTION

In the event of enemy attack, many farmers can use the basements or cellars under their houses for fallout protection. A recent SRS survey revealed that nearly 60 per cent of the farmers in 24 central and southern states have facilities that provide some protection against fallout. About 45 per cent of the farm families have cellars under their houses and 14 per cent have storm shelters away from their houses.

The 24 states covered in the survey account for 2.9 million farm households—78 per cent of the United States total.

The study, part of USDA's continuing civil defense program, also surveyed shelters for milk cows. There was shelter of some sort for one-third of the milk

cows in four South Atlantic states, compared with 90 per cent in the North Central and 50 per cent of the animals in the South Central states.

In the 24 states surveyed, 70 per cent of the farms had storage facilities for gasoline; 39 per cent for diesel fuel, fuel oil or kerosene; and 47 per cent for LP-gas. Farm storage capacity amounted to a sixth of annual use for gasoline and equalled about a third of total annual use for the other fuels listed.

As of December 1, 1962, the supply of gasoline on farms was about one-third of the storage capacity. Supplies of LP-gas, diesel fuel, fuel oil and kerosene were about half of the storage capacity. (10)



## Model Cotton Farm Setup Reveals Effects of Changes in Technology

How do you make the best bet? Use the most up-to-date production techniques, say the specialists.

To compare the differences in net returns resulting from changes in technology, economists set up a model farm. Returns were figured using the current production practices typical of most cotton operations in the Delta areas of Mississippi, Arkansas and Louisiana. Then they were calculated on the basis of more advanced techniques that have been proven successful but are not yet widely used.

The differences between present and advanced techniques were in varieties planted, seeding rates, fertilization, weed and insect control, irrigation, harvesting and management. The hard core of the success of the entire operation is the quality of the management available. This, needless to say, varies greatly.

Little change was made in the

acreage of land used for different crops as the level of production technology shifted. Distribution of land use under current techniques was as follows—433 acres of cotton, 172 acres of soybeans and 116 acres in rice-soybean rotation. With advanced technology—433 acres were in cotton, 172 acres in soybeans or corn, 74 acres in rice-soybean rotation and 42 acres in rice-fallow rotation. In both cases the total cropland was 721 acres on a farm containing 1,200 acres.

The change in technology almost doubled the net returns to management. While net income totaled \$28,851 with current techniques, \$57,504 was possible using the up-to-date practices.

As would be expected, the advanced methods resulted in a marked increase in production due to the larger yields and more efficient combination of resources.

To make the comparison of levels of technology easier, no production controls or acreage allotments were included in the model. However, in the absence of such programs, reasonable

management of the land would restrict the acreage planted to cotton and rice. Of the 721 acres of cropland on the farm, about 430 acres were composed mostly of sandy soils and the balance was in clays and loams. Cotton was limited to not more than 60 per cent of the available cropland, and rice was planted only on loam and clay soils.

Capital for operating the farm was assumed to be unlimited at 6 per cent interest. The operator made the management decisions and hired all the labor. Both prices paid and received were pegged at current levels except for rice which was sold at \$3.80 per hundredweight. (12)

## Pros and Cons on Type of Storage Depend on the Future Use of Corn

Wet or dry? Which is the best method of storing corn? The answer depends on several things.

Corn for sale must be stored dry—wet corn spoils in shipment. But corn to be fed on the farm can be stored wet in conventional or airtight silos, at a saving of about 6 cents a bushel in harvesting and storing costs.

What are other advantages of wet storage? Harvest can be done early when field losses are lower. There is no expense for artificial drying. Wet stored corn is well adapted to mechanized feeding by conveyor. Once stored, no additional grinding, shelling, cracking or mixing is needed.

What are the disadvantages? Wet stored corn must be fed on the farm; it is not suitable for other commercial uses. It may not "feed down" well in silos that unload from the bottom. From silos that unload from the top, three to four inches of corn must be removed daily during warm weather to prevent spoilage.

Wet corn makes better feed for dairy cattle and sheep than for beef animals. Wet shelled corn is a usable feed for hogs. (14)

## HARVESTING METHODS AND EQUIPMENT DECIDE YIELD IN BIN

Not all the corn in the field gets into the bin. While over two billion bushels of corn will be harvested in the Corn Belt this fall, another 180 million bushels will be left behind by the machines. Only a small part of this loss will be salvaged by livestock or gleaned by hand.

How can at least part of these 180 million bushels be harvested? Good harvesting practices and careful selection of equipment are the answer, say the specialists. Needless to say, more corn means more profit for the farmer.

First consideration is the type of harvester. Harvesting efficiency is normally higher with combines that have a snapping bar on the corn-head attachment than with conventional picker-

shellers. The bar helps reduce the loss of shelled corn at the snapping rolls.

The date of harvest and moisture content of the grain also influence yields. Corn harvested early contains more moisture but has fewer lodged stalks and less loss of shelled corn at the snapping rolls. Harvested yields are highest for corn containing 25 to 26 per cent moisture.

Harvest can take place earlier in the season if the corn is mechanically dried.

For large volumes of corn, it is advisable to begin picking early when moisture content is high and to use artificial drying equipment so that harvest is completed before the grain in the fields becomes too dry. (13)

## Teamwork Gives Family on Ill. Farm Advantages of Specialized Production

One family out in Illinois has found a way to combine specialization and diversification on the same farm.

Together, three brothers manage 400 acres of corn, 1,000 hogs and 5,000 laying hens. One of the brothers devotes his time to raising hogs and producing eggs. The second concentrates on producing and storing the corn. The third takes care of buying supplies and marketing the farm products.

Some of the advantages to the arrangement are:

—The brothers are able to handle a large enterprise with little more total labor than some farmers on smaller farms.

—The volume of farm output is great enough to justify such

specialized investments as automated drying equipment for grain, confinement buildings for hogs and a poultry house with controlled environment and an egg-gathering belt.

—Because of the volume of their business, the brothers buy on discount and can take advantage of special prices for their supplies.

—With high quality products, uniform groups of livestock, and year-round production, the farm can supply the best markets and command top prices for its output.

—By combining specialization with diversification, the brothers spread their risk over three major enterprises.

—The farm is big enough to make full use of the technical ability developed by the three men over the years. (15)

## ECONOMIC BACKWATER TRAPS RURAL KENTUCKY FAMILIES

At best the farmland could be described as fair. The community is off the beaten track, somewhat isolated from the rest of the state. And there aren't enough jobs to go around.

This is the region in America that hasn't been able to keep up with the technical and economic progress of the rest of the country.

One such area is found in south central Kentucky. Its portrait has been sketched by economists in the University of Kentucky Agricultural Experiment Station working in cooperation with the Economic Research Service.

Some 69 per cent of the farm families in the area had incomes of less than \$2,000 a year in 1956, compared with 43 per cent nationally. The nonfarm workers in the area were no better off. Fifty-nine per cent of them made less than \$2,000 a year; the figure for the nation in 1956 was 16 per cent.

The economic blight is more apt

to strike the younger and older farmers than the middle age group. But while proportionately more farmers under 35 years of age earn less than \$2,000 a year, compared with farmers over 65, the problem is much worse for the older men. The younger men can, and often do, move out of the region and out of farming—older farmers can't.

Unfortunately part of the burden of poverty is borne by the children of these older farmers since their parents often cannot afford to send them through high school—the most important prerequisite for well-paying jobs outside farming.

Underemployment is the most important single explanation of the low farm incomes. Tenants and croppers on tobacco-corn farms in the area who worked roughly 200 days a year, produced less than the output of 130 days of work at somewhat better than average performance rates on commercial farms.

### People Who Stay, Pay

More than 80 per cent of all counties with less than 5,000 persons lost population between 1950 and 1960. It's more than just losing people, however. As populations dwindle, the per capita costs of government go up.

This fact is causing some rural counties to explore the possibilities of consolidating government services with neighboring communities. Whether planning for river basins, flood control, hospitals, libraries or recreational facilities, counties may be able to save money by sharing costs. (16)

What can be done to remedy the situation? Migration to the city already plays a major role. In the decade between 1950 and 1960, for instance, the region lost about 15 per cent in total population, while the U.S. as a whole increased by over 18 per cent.

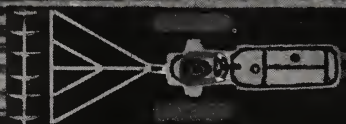
Migration, however, is no cure-all nor does it necessarily lead to significantly better pay. A third of the men who left home during the decade ended up as laborers, about a fifth became low-skill craftsmen.

And too often the move from the blighted area was a move in name only. More than 40 per cent of the men who left home during the decade went no farther than a neighboring county.

The low-paying jobs are largely the result of poor education or inadequate preparation for urban employment. Only a quarter of all men leaving home had completed high school—a minimum level of education for many, if not most, jobs in the city. Compared to their fathers, only 3 per cent of whom had finished high school, this was a great advance.

Retraining holds out hope for many a marginal farmer in this and other depressed areas, though there are limits to what a training program can do. Not every marginal farmer can benefit from such programs. (17)





\* **OUTLOOK 1984**

# FARM FORECAST FOR '64

Growing business activity at home and abroad in 1964 indicates expanding markets for U.S. farm products. Dominant factors in the outlook for farm income, however, include prospects of substantially reduced receipts from wheat and a continued upward trend in production expenses.

Cash receipts and government payments for wheat will be sharply lower under the program effective for the 1964 crop. Due to increases in cash receipts for crops other than wheat and for livestock, gross farm income is expected to drop slightly below the \$41 billion estimated for 1963. (Fig. 1) But with expenses increasing, realized

net farm income in 1964 likely will be lower, perhaps 5 per cent or more below the \$12¼ billion estimated for 1963.

The farm population is continuing its downward trend this year. Although realized net farm income from agriculture is a little below 1962, income per capita is higher because of the smaller population. (Fig. 2) In 1964, farm income per capita of the farm population is indicated a little smaller than in 1963. But per capita income from nonfarm sources is continuing to rise and personal income per capita from all sources in 1964 is likely to be little changed from 1963. (Cont'd p. 13)

This chartbook presents a graphic word-picture of the agricultural situation and outlook for 1964. The outlook summary, together with the *Handbook of Agricultural Charts* (A.H. No. 258) issued in September, replaces the outlook chartbook of previous years.

The chartbook this year also presents for the first time a *profile of agriculture projected to 1968*. This view of the future is not a forecast like the annual outlook. It is a projection based on a set of assumptions, a knowledge of economic relationships, technological changes, and historical trends. Projections appraise, under the specified assumptions, the expected expansion in domestic and export markets, probable growth in farm output, relative prices and farm income prospects.

Economic projections serve primarily to point up likely problems in carryover stocks, prices and income and to approximate the magnitude of these problems under alternative conditions.

The basic assumptions include specified population and economic growth, farm programs and trends in technology.

Population is expected to rise 10 to 11 per cent by 1968 from 186.6 million in 1962. An annual growth rate of 1.7 per cent

is slightly below the average for the past decade. The population increase, together with an accompanying rise in the labor force and productivity, would lead to a growth in the gross national product from 1962 to 1968 of more than one-fourth—about 4 per cent per year. Rising wage rates would increase consumer buying power by nearly 15 per cent over the period.

Farm programs assumed for these projections are, in general, those in effect in 1963 and in prospect for 1964 crops, including the wheat program resulting from the May referendum. Accordingly, projections assume a support price for wheat around \$1.25 per bushel for participating producers who plant within their acreage quota. For feed grain, the 1963 program was assumed to continue through 1968. The feed grain program assumes a loan rate of \$1.10 per bushel for corn with comparable supports for other feed grains and a direct payment of 15 cents a bushel to participating growers.

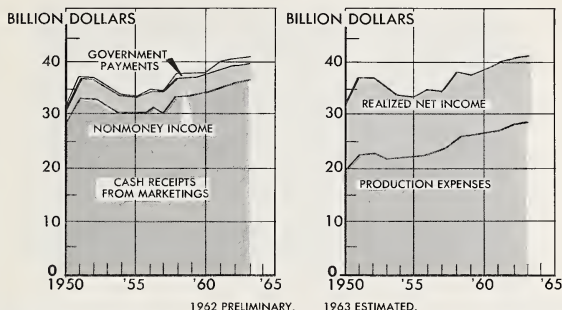
Although stock changes would reflect the projected demand-output balance under programs specified, it was assumed that present policy would attempt to hold stocks near desired normal levels: Around 500 to 600 million

bushels for wheat; 45 million tons of feed grains; and perhaps 6 million bales of cotton. Acreage control programs for other crops would continue as in 1963. Acreage in the conservation reserve declines as contracts expire. Marketing agreements and orders and domestic distribution programs continue as scheduled.

Export projections reflect 1963 legislation for the Food for Peace program including a vigorous P.L. 480 program, and assistance programs designed to make prices of such crops as wheat, cotton, and feed grains competitive in world markets.

Projection methodology brings to bear extensive commodity research on demand analyses. However, no general equilibrium framework was available on which to simultaneously integrate all the variables. Statistical analyses, specified from programs, and trends in crop yields provide the basis for projecting crop output. Production of livestock products was estimated largely on the basis of relative prices for livestock, product-feed price ratios and the size of breeding herds. Feeding rates reflect livestock-feed price relationships, projected production of different types of livestock and technological innovations in livestock feeding.

## EXPENSES RISING; NET INCOME LOWER IN '63

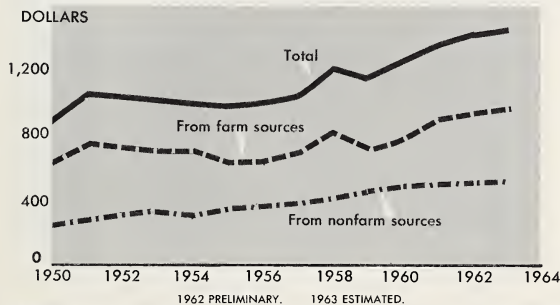


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Fig. 1

NEG. 1376FI-63(9)

## OFF-FARM SOURCES BOOST PERSONAL INCOME

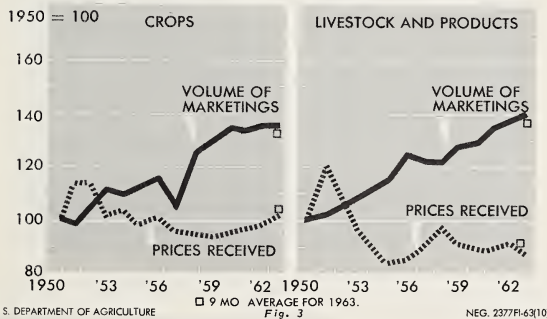


U. S. DEPARTMENT OF AGRICULTURE

Fig. 2

NEG. 1238FI-63(9)

## 1963 CROP PRICES UP; LIVESTOCK PRICES DOWN



U. S. DEPARTMENT OF AGRICULTURE

Fig. 3

NEG. 2377FI-63(10)

Cash receipts from livestock product marketings have been about maintained this year as large marketings approximately offset lower prices. (Fig. 3) Prices for livestock products are running around 3 per cent below 1962, principally because of lower prices for beef, hogs and broilers.

The volume of marketings by farmers is rising this year and is expected to increase moderately in 1964. With expanding domestic and foreign markets, prices for most groups of commodities, except for wheat, are expected to be about the same. The rise in marketings has been boosted by increased output. Production of crop and livestock products this year is indicated around 2 per cent above 1962. A larger acreage for harvest and increased yields resulted in more corn, wheat, soybeans and sugarbeets.

Livestock and product increases reflect more beef, pork, poultry and eggs.

Cattle marketings are expected to increase again next year although not as much as the gain in 1963. Relatively low hog prices and fall and winter intentions for farrowing indicate a smaller hog slaughter next spring. Prospects for a further gain in livestock and product marketings and additional expansion in the domestic market during 1964 point to little change in the price level for livestock and products from 1963.

With average growing conditions and continuing adoption of new technology, another increase in crop output is likely in 1964. Current programs will again limit feed grain production. The 1964 program for wheat is expected to result in increased acreage and production. Increased output levels are also in prospect for soybeans and sugarbeets. Except for the influence of lower wheat prices during the second half of 1964, price levels of crops in the coming year likely will be little changed to slightly lower.



Farm production expenses have been rising around \$700 million annually for the past decade. The rise reflects increasing prices paid and larger purchases of nonfarm inputs. Prices paid by farmers for production goods, interest, taxes and wage rates probably will creep up again in 1964. (Fig. 4) Higher prices paid and possibly lower prices received indicate some further tightening in the cost-price squeeze on agriculture.

Carryover stocks of farm commodities are expected to total a little smaller in 1964; production will be larger but domestic and foreign markets are expanding. (Fig. 5)

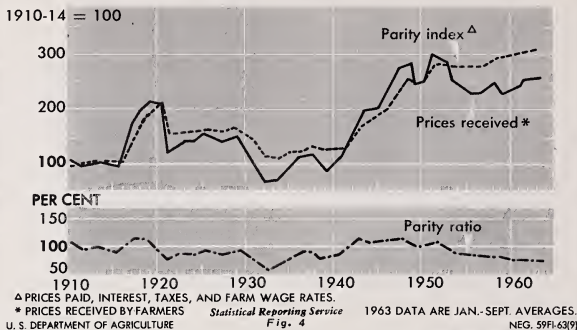
Wheat carryover next July 1 is expected to be about 500 million bushels below July 1963. Feed grain stocks are likely to drop 3 to 4 million tons from the 62.5 million ton carryover of 1963. Stocks of dairy products are decreasing in response to smaller production and increased exports. Cotton production this year is nearly as large as last and stocks are likely to increase further, possibly by more than a million bales from the 11.2 million on hand August 1, 1963.

## DOMESTIC DEMAND

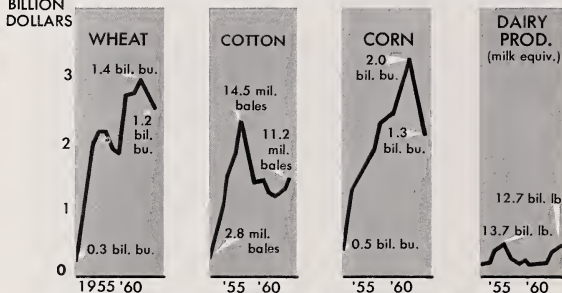
Economic activity, employment and consumer incomes are expected to continue expanding throughout 1964. (Fig. 6) The extent of the rise next year will depend in large measure on the outcome of proposed cuts in personal and corporate taxes. Economic activity increased at a fairly brisk pace this year with gross national product in the first three quarters up about 5 per cent from 1962.

Retail expenditures for food are running around 3 per cent above 1962, a somewhat slower rise than last year. (Fig. 7) Larger supplies of food, particularly meats, moderated the rise in retail food prices to around one and one-half per cent over

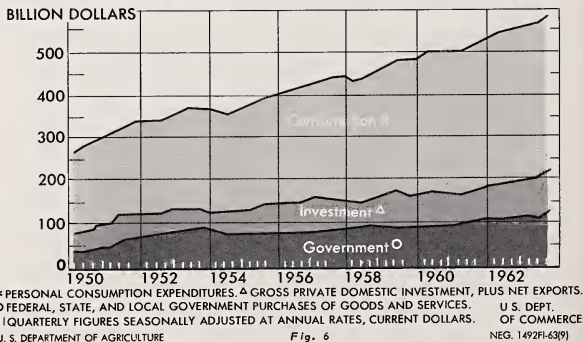
## PRICES PAID HIGHER; PRICES RECEIVED STEADY



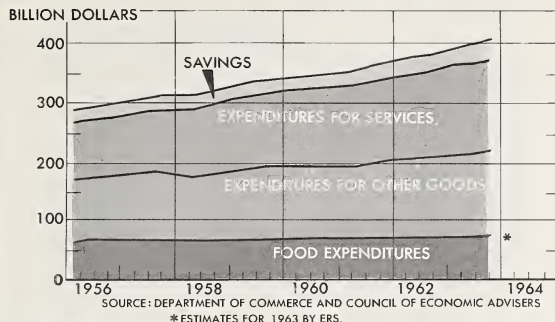
## GRAIN STOCKS DECLINE, COTTON STOCKS RISE



## GROSS NATIONAL PRODUCT UP FIVE PER CENT



# MAJOR SOURCES OF DEMAND ARE EXPANDING

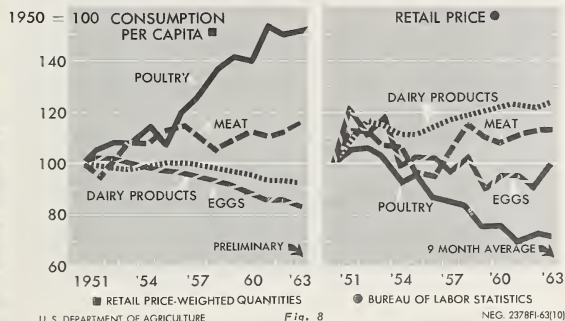


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Fig. 7

NEG. 2119F1-63(9)

# MEAT CONSUMPTION UP; PRICE TRENDS DIVERGE

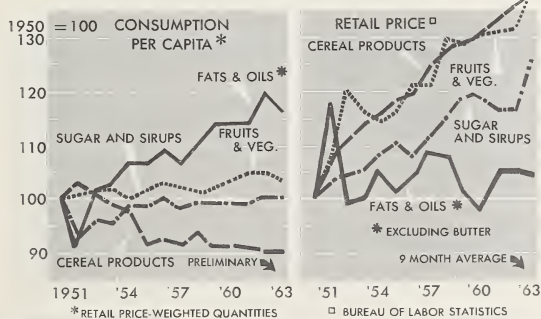


U. S. DEPARTMENT OF AGRICULTURE

Fig. 8

NEG. 2378F1-63(10)

# USE OF FOOD FROM CROPS DOWN; PRICES RISE



U. S. DEPARTMENT OF AGRICULTURE

Fig. 9

NEG. 2378F1-63(10)

1962 despite higher prices for sugar, citrus fruits and early-season vegetables.

Recent increases in per capita consumption of meats, primarily beef and poultry, continue an up-trend which has extended over much of the past two decades. (Fig. 8) In the case of poultry, declining retail prices have provided a stimulus to stepped-up consumption. Upward trends in both consumption and prices for beef reflect rising demand.

A pronounced decline in recent years in per capita consumption of eggs and dairy products probably is due mostly to a weakening in consumer preference for these foods, but price rises in dairy products have taken place.

Trends in per capita consumption of crops for food also illustrate marked shifts in consumer demand—away from fresh fruits and vegetables and toward more frozen and canned items.

Consumption of cereals continues to decline. (Fig. 9) Changes in retail prices of food from crops have influenced modifications in diet but consumer preferences and the demand for convenience foods probably have played the major roles.

In 1963, total food consumption per capita rose an estimated one-half of one per cent above 1962. This is the largest year-to-year change since 1959 and compares with a total rise of only 4 per cent since 1947-49. Large increases in meat more than offset declines in per capita consumption of eggs, fruits (mainly citrus) and fish.

Indications for 1964 point to gains in consumption per person of beef, chicken and fish. However, these increases likely will be about offset by continued decline in consumption per capita of some dairy products, pork, eggs and fruit.

Retail food prices probably will rise slowly even if farm prices average slightly lower in 1964. But, they are not likely to rise as much as from 1962 to 1963.

The percentage of consumer disposable income spent for food continues to decline gradually. (Fig. 10) In 1962 expenditures for food were equal to about 19 per cent of disposable income. The steady drop in per cent of income spent for food from around 23 per cent in 1950 reflects primarily reductions in the farm value of foods.

As the consumer's income rises, he tends to spend proportionately more on the services of marketing and processing food. He also may spend more to upgrade his diet—more meats, for example—but in total, the percentage increase in expenditures for food averages only about two-thirds as much as the rise in consumer income. Thus with ample food supplies, rising income and slightly lower average prices for farm products, the percentage of income spent for food will decline again in 1964.

In recent years special food distribution programs for schools, charitable institutions and needy persons increased considerably and further increases are in prospect. (Fig. 11) Relative to total food consumption, these programs are still small. They distributed less than 2 per cent of total food supplies in 1963.

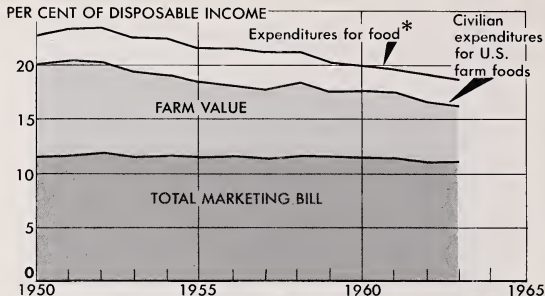
During 1964, donations for school lunches are expected to expand. Donations to foreign needy persons account for more than half of the special food distribution programs.

Nonfat dry milk, flour, chopped meat and butter were the major foods donated in all domestic distribution programs in 1963.

### FOREIGN DEMAND

Exports are an important market outlet for U.S. farm products. In 1963, agricultural exports were equal to an estimated 16 per cent of U.S. farm production. (Fig. 12) In 1962-63, export markets took more than half of the U.S. output of wheat and rice, over two-fifths of the soybeans (including bean

## FOOD BILL TAKES LESS OF SPENDABLE INCOME



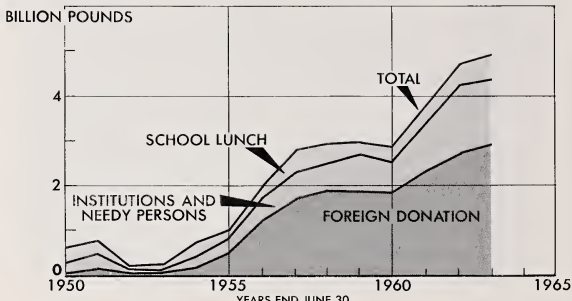
\* PERSONAL CONSUMPTION EXPENDITURES FOR FOOD, LESS ALCOHOLIC BEVERAGES. 1963 ESTIMATED.

U. S. DEPARTMENT OF AGRICULTURE

Fig. 10

NEG. 2189FI-63(9)

## FOOD DONATIONS EXPAND FURTHER DURING '63

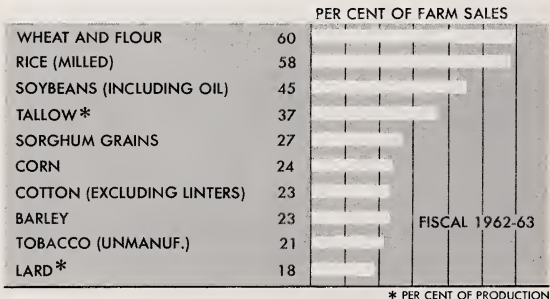


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Fig. 11

NEG. 2380FI-63(10)

## EXPORTS MAJOR OUTLET FOR MANY PRODUCTS



\* PER CENT OF PRODUCTION

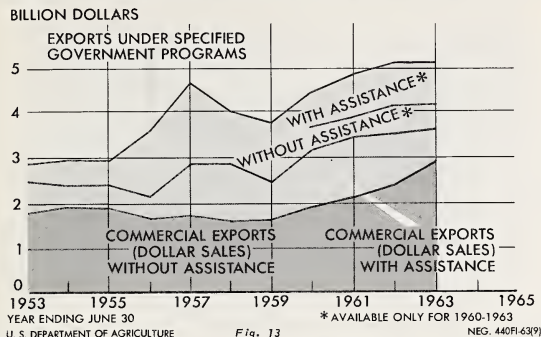
U. S. DEPARTMENT OF AGRICULTURE

Fig. 12

NEG. 740FI-63(9)



# MORE EXPORTS SOLD FOR DOLLARS IN 1962-63



equivalent of oil), one-third of the tallow and around one-fourth of the feed grains and cotton. Agricultural exports account for nearly one-fourth of total exports and contribute substantially to total U.S. export earnings.

In the current fiscal year, U.S. agricultural exports are expected to rise to around \$6 billion from the \$5.1 billion in 1962-63 if trade is expanded appreciably with Eastern Europe and Russia. Increases are anticipated in exports of cotton, wheat, soybeans, vegetable oils and tobacco.

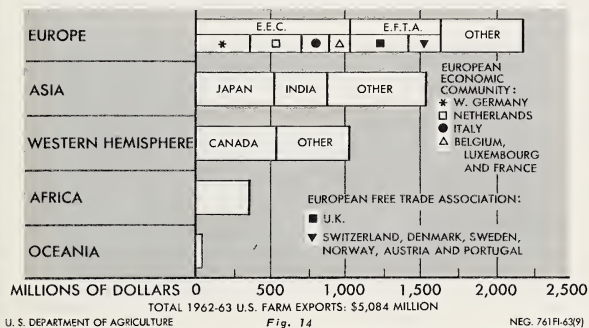
Commercial sales for dollars were at a record level in fiscal 1963, accounting for about 70 per cent of total farm exports. (Fig. 13) Dollar sales accounted for \$3.6 billion, with the remaining \$1.6 billion financed under government programs including foreign currency sales, donations, barter and long-term dollar credits.

Commercial sales for dollars in fiscal year 1964 should be a record high again by a substantial amount.

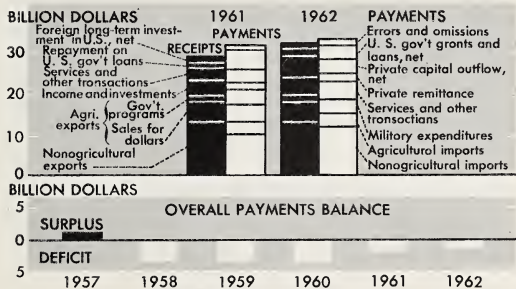
Trading blocs have become important markets for agricultural exports. Together they accounted for about two-fifths of U.S. exports in 1962-63. (Fig. 14) The European Economic Community and the European Free Trade Association are the most important blocs. In fiscal 1963, exports to EEC totaled nearly \$1.1 billion and to EFTA more than \$608 million. Other important markets include Japan, Canada and India. In recent years there also has been a rapid expansion in exports to Africa.

During the first half of 1963, the overall balance of payments deficit averaged \$4.2 billion (annual rate), compared with an improved \$2.2 billion in 1962. (Fig. 15) The deficit is measured by the reduction in U.S. monetary assets and the increase in liquid dollar liabilities excluding U.S. government sales of securities to foreign monetary authorities.

# INDUSTRIAL NATIONS BEST EXPORT MARKETS



# DEFICIT IN BALANCE OF PAYMENTS CONTINUES



# MARKETING COSTS AND SPREADS

The market basket of domestic farm-originated food products cost 1 per cent more in the third quarter this year than in the like period of 1962. (Fig. 16) But the farm value or return to farmers for these products was 4 per cent lower this year than last. Charges for marketing these foods, as measured by the spread between the retail cost and farm value, were 4 per cent higher in the third quarter than a year ago.

Rising marketing charges and declining farm prices reduced the farmer's share of the consumer's food dollar to 36 cents in the second quarter this year, the lowest since the mid-thirties. The share averaged 37 cents in the third quarter and may average about 37 cents for all of 1963.

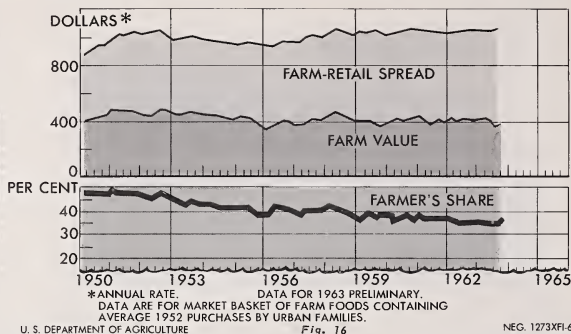
The total bill for processing and distributing farm food products sold to civilians has climbed steadily since 1950. (Fig. 17) Increases reflect rising costs of labor, transportation, equipment and other goods and services, a growing volume of products handled and increased processing and distributing services per unit of product. The 7 per cent rise in the marketing bill from 1962 to 1963 was the largest annual increase in several years.

U.S. farmers' receipts from food products sold to civilians (the farm value) was 21 per cent higher in 1963 than in 1950. All of the increases resulted from expansion in volume of products handled; average prices received by farmers for products were lower in 1963 than in 1950.

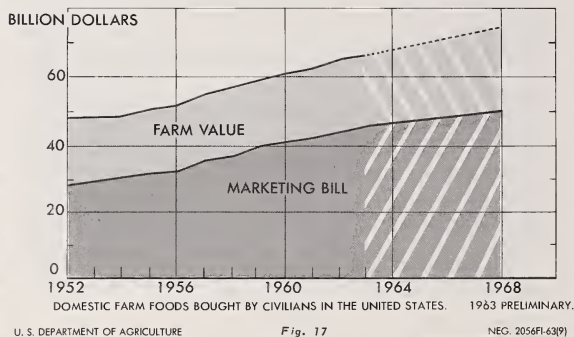
Average hourly earnings of workers in food marketing enterprises climbed steadily from 1950 to 1962. (Fig. 18) Prices of intermediate goods and services averaged about a third higher in 1962 than in earlier years, but have been stable recently.

Prices of producers' durable goods (which affect depreciation

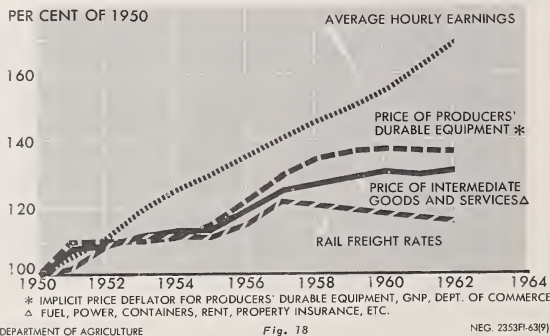
## FOOD MARKETING SPREAD WIDENS DURING 1963



## MARKETING ACCOUNTS FOR HIGHER FOOD COSTS



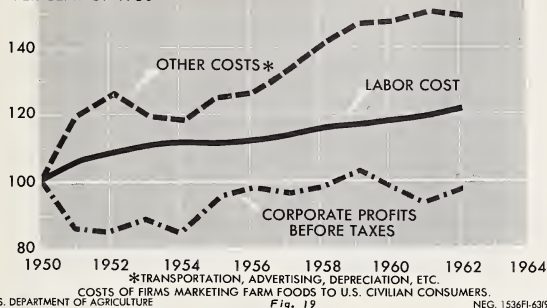
## MOST MARKETING INPUT PRICES NEARLY STABLE





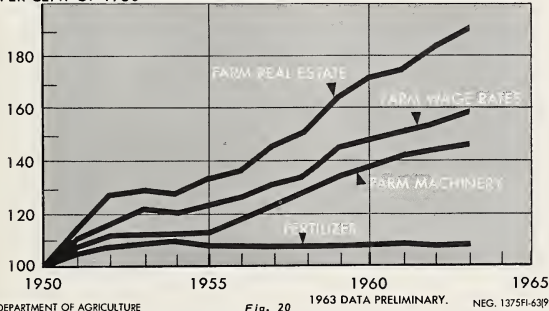
## UNIT MARKETING COSTS CHANGE LITTLE IN '62

PER CENT OF 1950



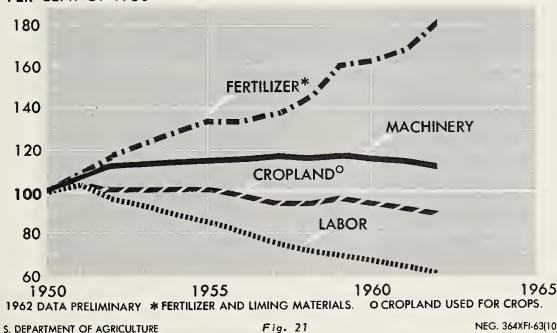
## MACHINERY, WAGES, LAND COST MORE IN '63

PER CENT OF 1950



## MORE FERTILIZER USED DURING 1962 CROP YEAR

PER CENT OF 1950



charges) have been stable since 1959 after increasing 36 per cent earlier. Rail freight rates for farm foods have declined slightly.

Gains in output per man-hour moderated the rise in labor costs. While average hourly earnings climbed 68 per cent between 1950 and 1962, unit labor costs went up 25 per cent. (Fig. 19)

The cost of other inputs per unit of product has leveled off in recent years. Corporate profits fluctuated throughout the 1950-62 period but on a per unit basis (after taxes) they averaged a little higher in the early 1960s than in the early 1950s.

## OUTPUT AND FARM ORGANIZATION

Crop and livestock output are at record levels; they set farm production in 1963 at a new peak—27 per cent above 1950 and 2 per cent higher than last year.

Prices of most farm production inputs have risen and with the substantial increase in farm output since 1950, total farm production expenses went up about 45 per cent. (Fig. 20) From 1962 to 1963, expenses rose about \$600 million. A similar increase is expected for 1964.

Two of the major inputs—land and labor—have had large price advances—91 and 60 per cent, respectively. However, farmers have been substituting nonfarm inputs such as fertilizer and machinery for land and labor. The 80 per cent increase in the use of fertilizer was the main factor enabling larger crop production on fewer acres. (Fig. 21)

Greater yields per acre and increased output per head together have helped reduce the amount of labor used in farming by more than 40 per cent. Continued substitution of more productive inputs for those of low or marginal return can enable farmers to produce the additional output required in 1964 with little or no increase in total inputs.

The value of farm assets has continued upward in 1963 and will reach a record high of about \$226 billion by January 1, 1964—nearly \$10 billion more than in 1963. (Fig. 22) Farm debts also have risen sharply but less than farm assets. Thus, farm equities are expected by January 1 to show an increase for 1963 of about \$7 billion. As in recent years, most of the gain in assets and equities in 1963 will result from the rise in farm real estate values. Physical farm assets other than real estate will be up nearly \$1 billion this year; farm financial assets will be about \$500 million higher.

Production assets per farmworker nearly tripled between 1950 and 1963 when they totaled more than \$51,000. The continued increase in the average size of farms—from 213 to 314 acres—plus a higher value per acre accounted for most of the increase.

With approximately two workers per farm this year, the average value of production assets per worker rose to \$25,390, also nearly triple the 1950 figure.

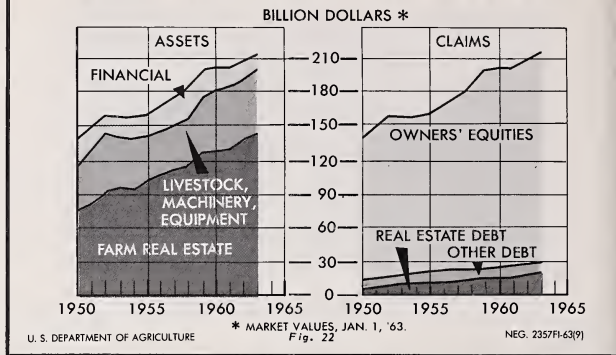
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## FARMERS' ASSETS, EQUITY CONTINUE TO RISE



## Prospects for American Agriculture Within Five Years

American agriculture during the next five years will continue to be beset with price and income problems springing from an output potential in excess of normal markets.

Assuming a continuation of present programs, feed grain stocks would be reduced by 1968. But a further build-up in the already generous stocks of cotton is likely. Milk output probably will continue in surplus also.

With slightly lower average prices and a 13 per cent increase in farm output, cash receipts likely will rise about a tenth from 1962 to 1968. Production expenses also will continue to climb and result in a decline in projected net incomes of farm operators around 9 per cent below 1962.

However, the decline in the number of farms is expected to continue, possibly to around three million units by 1968. Accordingly, projected net farm income per unit would rise by more than 10 per cent from 1962.

Consumer demand for food and other farm products will expand, possibly by around 11 per cent, from 1962 to 1968. (Fig. 23) With slightly lower farm prices, retail

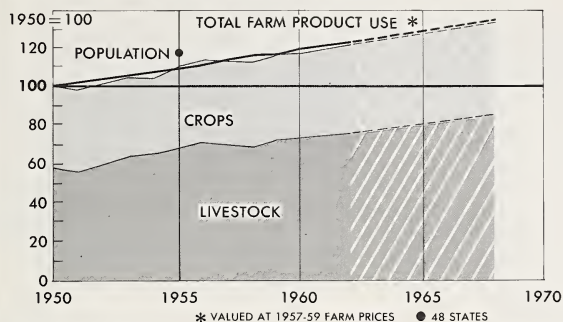
food prices will likely continue to rise slowly. Accordingly, consumers will spend more for food but the total will be a smaller share of their income.

Consumers will continue to modify their diets and are expected to purchase more processing, packaging and other services with their food. Although little change is expected in per capita food consumption, rising incomes and trends in consumer preference will substantially alter the diet. However, pounds of food consumed per person may continue to decline slightly with little change in per capita intake of calories and possibly some nutritional upgrading of the diet.

Nonfood uses of farm products other than for feed probably will increase less than the population. Use per person of cotton is projected to decline under current programs, but probably less rapidly than during the past decade.

Combined per capita consumption of livestock products is projected to increase very little—possibly less than 1.5 per cent. (Fig. 24) However, a further sizeable increase in the demand for beef and poultry is in pros-

## POPULATION, USE OF FARM PRODUCTS PARALLEL

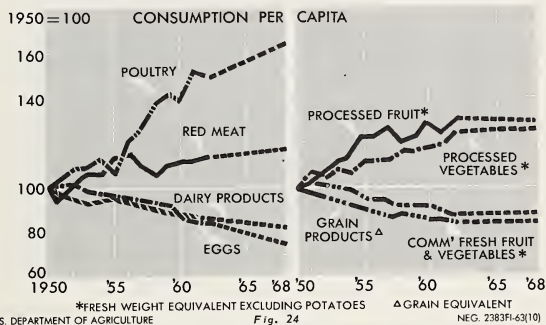


U. S. DEPARTMENT OF AGRICULTURE

Fig. 23

NEG. 2382FI-63(10)

## MORE POULTRY, RED MEAT IN DIET BY 1968

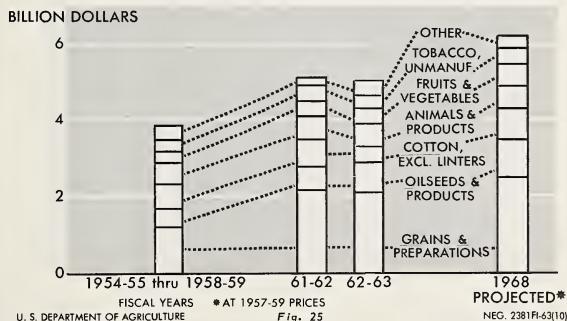


U. S. DEPARTMENT OF AGRICULTURE

Fig. 24

NEG. 2383FI-63(10)

## PROJECTED EXPORTS ABOVE \$6 BILLION LEVEL



U. S. DEPARTMENT OF AGRICULTURE

Fig. 25

NEG. 2381FI-63(10)

pect. Part of this gain likely will be offset by small declines in per capita consumption of pork, veal, lamb and mutton. The downtrend in consumption per person of eggs and dairy products likely will continue, though probably at a slower rate.

Combined per capita food use of crops is expected to change little, if any, in the next five years. However, some shifts in consumption are expected—away from fresh use of fruits and vegetables and toward increased consumption of frozen, canned and other processed convenience foods. The downtrend in per capita consumption of wheat is projected to continue into 1968.

Part of the increase in domestic demand will be supplied by moderate increases in coffee and other foods not grown in the U.S. and by expanding imports of processed meats. At the same time, foreign markets will take around 15 to 16 per cent of U.S. farm output. In addition to an expansion in commercial exports of farm products, current program assumptions include an active Food for Peace program with continued large shipments under P.L. 480 and other programs.

Exports of farm products are projected for 1968 at a level nearly one-fifth above 1962. (Fig. 25) Shipments likely will include more than half the U.S. output of food grains; around a third of the cotton, soybeans and vegetable oils; and substantial amounts of feed grains and tobacco.

Under conditions assumed for 1968, total farm output is projected to increase about 13 per cent from 1962. This compares with a gain of 11 per cent from 1956 to 1962.

Output of livestock products likely will increase 12 per cent from 1962 to 1968, compared with a gain of 8 per cent in 1956-62. As would be expected from changes in demand, the largest increases are indicated for meat animals, particularly beef, and



for broilers. Similarly, the slower rise in output for hogs and the relatively small increases for dairy products and eggs reflect prospective moderate gains in demand. (Fig. 26)

Crop output is projected to rise by 13 per cent from 1962 to 1968. By comparison, crop output increased by about 14 per cent from 1956 to 1962. The largest output gains are projected for oil crops, wheat, feed grains and some of the minor crops.

The rapid rise in productive efficiency of agriculture is expected to continue. (Fig. 27) With moderate gains in production and further technological developments, the use of labor in agriculture will continue to decline, possibly by as much as 12 to 15 per cent within the next five years.

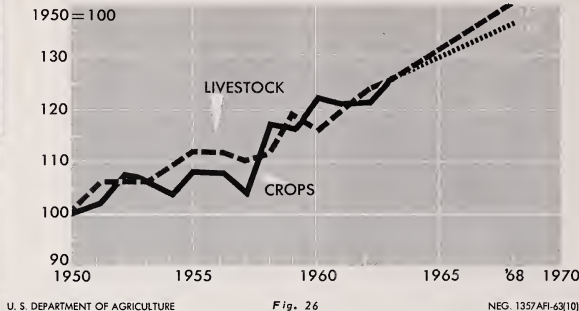
Resource inputs other than labor and land are projected to rise around 12 per cent from 1962. Land used for crops also is expected to rise.

Under current programs, acreage in the conservation reserve and other diversion programs will decline.

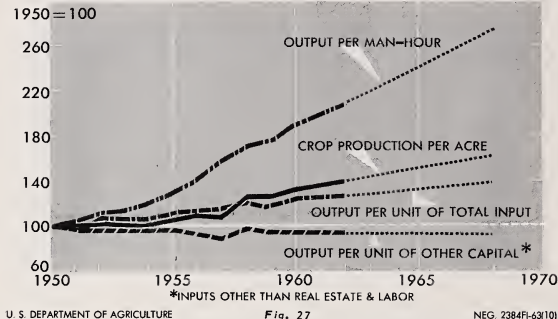
Crop production per acre increased about 2.5 per cent per year in the 10 years ending in 1962. With average growing conditions and prices around current levels, a continued rise in crop output per acre is anticipated for the next several years.

The projected utilization-supply balance for agriculture points to a small overall liquidation in carryover stocks. (Fig. 28) Grain stocks, particularly feed grains, have been reduced substantially in the past three years and a further reduction is projected. But, a further rise is indicated for cotton stocks. Increased feeding of wheat and larger exports would result in a further reduction in carryover, but not to desired "normal" levels. Big increases in exports to the communist bloc may cut wheat stocks and change the demand-supply balance.

## FARM OUTPUT TO CONTINUE RISING INTO '68

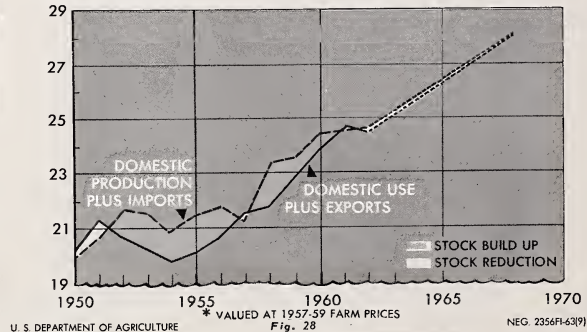


## OUTPUT PER MAN-HOUR TO CONTINUE RAPID RISE



## CROP PRODUCTION AND USE SEEN CLOSE IN '68

BILLION DOLLARS \*





## MORE MONEY FOR MARKETING

The marketing outlook for 1964 and projections to 1968 are for more of the same—more services performed by the food trades, a bigger increase in workers and total resources in processing and distribution compared with the farm, and more of the food dollar going to the marketing system, less to the farmer.

In 1962, consumers paid about \$64 billion for domestic farm food products. About \$21 billion went to farmers, \$43 billion to the marketing system. By 1968, consumer expenditures are likely to increase by \$10 to \$12 billion. All but about \$2 to \$3 billion will go for added marketing services.

Even so, the consumer can expect to spend less of his pay check on food, because of higher incomes, increased efficiency on farms and an improved marketing system.

First thanks for bargain supplies of food go to the farmer. With better machines, pesticides and the rest of the advanced techniques at his disposal today, one farmworker now produces enough food and fiber for 29 persons. As recently as 1950, the number of persons supplied was only 15.

The marketing man has also

managed to step up his efficiency, though less dramatically than the farmer.

In 1962, for example, the volume of food moved through the marketing system was 32 per cent higher than in 1950. But during the same period, the number of workers in marketing firms increased by only 11 per cent.

The emphasis in the next few years will continue to be on services for the consumer. The larger population alone will add to the job of the marketing system, just as it has in the past two decades. Other trends that will shape marketing in the future are:

- the continuing decline in the farm population, the rising percentage of city people;

- greater specialization and higher incomes on the farm, with families raising less of their own food, buying more of it from the store;

- more people buying their meals in restaurants and other eating places.

The first two points will have less and less effect on food production and marketing as the years go by for the simple reason that the farm population can't continue to drop indefinitely.

The most important cause of the rise in services required per person is the continuing trend to eating out. With incomes on the upswing and more wives working, more of our food money will be spent at lunch counters, restaurants, cafeterias and such.

There will also be more convenience foods in the grocery cart, but there is little evidence to date that the foods with built-in maid service actually raise the marketing bill per person.

The projections for 1968, under current farm programs, suggest little change in overall prices to agriculture. With relatively stable prices for farm products and rising real income, the gap between farm and retail prices of food may continue to widen, with services, as opposed to production or processing, causing the greatest pressure.

Even so, expenditures won't climb as fast as incomes, so the proportion of income going for food should continue to decline.

We now spend about 19 per cent of our incomes for food, compared with a postwar high of 27 per cent.

In 1963, the farmer's return from a market basket of farm foods was 13 per cent below the 1947-49 average, while the spread between farm and retail prices increased 44 per cent.

Though the marketing system isn't under the same pressure as the farmer, it is still competitive enough to force economies on the trade for awhile.

So far, the larger size and concentration of buying units has kept profit margins down; efficiency has been on the rise. How long this will last is unknown.

The entrance of discount food stores is one development that will keep wholesalers and retailers on the alert. But an excess of new stores with attendant inefficiencies would push down prices to farmers, lower capital values in retailing, or possibly increase prices to the consumer. (29)



## Supermarket Demand for Quality Meat and Steady Supply Is Uniting Livestock Feeding and Marketing Functions

A Colorado cattle feeder, within sight of his feedlot, builds a packing plant with an annual capacity of 135,000 to 150,000 head. About two-thirds can come from his own lot.

A large feeding firm combines with a packing company and a meat wholesaler to form a single firm.

Most of the 16,000 head of cattle on feed in a California feedlot are owned by or are under contract to several packers.

Are these isolated, unrelated events? Or are they part of an emerging pattern in the beef industry?

Chances are the latter is the case, judging from recent developments in this rapidly evolving business. Most of these trends point in the direction of increasing consolidation.

The initial impetus appears to have come from the rapid trend toward concentration in the nation's retail grocery trade. More and more, the supermarkets, whether owned or managed by corporations, cooperatives or individuals, seem to be dominating the food retailing business.

In 1947, when national grocery sales totaled \$23.1 billion, these supermarkets handled 66 per cent of the business. In 1962, the figure rose to 90 per cent, and total sales reached \$56.2 billion. In that year, 10 chains handled 27 per cent of all sales.

Mass distribution of meat and a more specialized demand (created in part by the retailers themselves) have put new pressures on all other segments of the beef industry.

The larger retail grocery groups stress uniformity in grade and size, and less fat. They also want a fairly steady supply from week to week through the year.

These demands are forcing cat-

tle feeders to concentrate more on product control than ever before. The beef desired by retailers comes from cattle fed out at lighter weights. As a result feeders are buying younger, lighter-weight cattle. Also, many feeders are going in for year-round operations rather than "one shot per year."

The impact of these changes is most clearly seen in the West where the large feedlot operation has become most common. Nine hundred of these feedlots had 65 per cent of all cattle on feed in the 11 Western states last January 1, and 18 per cent of the U.S. total.

Large feeding operations also are coming into the Corn Belt. While concentration of feeding is not likely to develop in the Corn Belt as rapidly as in the West, the evidence indicates a higher degree of concentration in size and ownership in the future.

Another significant change is an increase in the number of cattle and calves fed by or for meat packers—from 4.7 per cent of national commercial slaughter in 1957 to 6.4 per cent in 1961. Limited numbers of cattle also are being fed by or for chain stores. In addition to the animals actually owned, packers and chains also contract ahead for cattle.

The concentration of cattle in large feedlots is helping to change traditional marketing methods. Only about a third of the fed cattle are now sold through terminal markets. Direct purchases by packers and marketing through auction are increasing.

These developments seem likely in the future:

—Product controls must become more stringent in each part of the industry—production, feeding, packing and retailing. As the product moves through the marketing system, evidence that it

meets the specifications on which it is sold will become more important.

—Basing price system now in use may become obsolete. The decline in the number of fed cattle moving through terminal markets will make quotations from these markets less useful in making decisions in marketing.

—As larger proportions of the fed cattle are handled by larger groups—either actual combinations of firms or voluntary associations—those outside will have less representative information on which to base marketing decisions. (18)

## Big Feed Firms Offer Low Prices; Local Dealer's Reply Is Grain Bank

Like the general store and the blacksmith shop, the small-town feedstore is having a hard time staying on the rural scene. As large scale, highly specialized livestock and poultry operations become common, more farmers are buying their mixed feeds in bulk and directly from the manufacturer. As a result, the feed-store dealers face stiff competition to get customers.

The feed manufacturers are in a position to provide plenty of competition, too. To begin with, direct sales in bulk frequently give them a price advantage over the dealers. Many companies are selling nearly all of their feed tonnage in bulk at present.

About 40 per cent of the larger feed mixing firms are using full-time salesmen to make calls right on the farms. The salesmen are trained to operate as public relations men, selling the company right along with the feed. To top off the sale, company representatives are prepared to arrange credit for the farmer and help him with any problems he may have in feeding and caring for his livestock or poultry.

To hold onto their dwindling market, some local feed dealers

are establishing grain banks for farmers. The farmer's storage costs for banking his grain are nominal. By establishing a grain bank the local mill operator also has a chance to advise the farmer on his feeding operations when he picks up the feed. And with the grain banks the feed dealers can plan their production schedules in advance, which gives them a chance to cut down on the cost of mixing the feed.

Thus, there is still plenty of opportunity for the responsible feed dealer who is service-minded and cost conscious and keeps close tabs on his cost sheets. (19)

## Railroads Are Lowering Grain Rates Where Barge Lines Compete

Like Casey Jones or the Old 97, moving grain to market used to be part and parcel of railroading. With recent rate reductions, the railroads seem to be out to recapture history.

For nearly a century, grain rode the rails out of the Plains states to terminal points all over the country, usually stopping along the way for storage, milling and other processing at no extra cost for transportation. Shippers liked these transit privileges. But more to the point, there wasn't any other reliable way to ship.

After the war, shippers turned more and more to truck and barge transportation, singly or in combination. There were several reasons. Faced with the slow and costly job of modernizing, railroads continued to use older, poorly maintained boxcars, service fell off and grain losses in transit mounted. Then too, trucks could deliver to any terminal point on our growing network of highways, usually faster than rail cars could be routed through a series of freight yards.

But rates were the big factor. Rail rates for grain nearly doubled from 1946 to 1958. With lower overhead costs, both trucks and

barges could charge less than the railroads and still make a reasonable profit.

Moreover, truckers and barge lines, unlike the railroads, are not bound by fixed rates subject to the approval of the Interstate Commerce Commission. Under special exemptions in the Interstate Commerce Act, trucks can haul raw agricultural commodities for negotiated fees, and barges can do the same for bulk commodities. Grain is under both exemptions.

Of 8,500 country grain elevators surveyed in 1958 in the North Central states, 5,100 shipped by rail and truck and 844 shipped by truck only.

Many shippers have grain trucked to the Mississippi River and Great Lakes ports, for example, and send it on by barge.

Rail rates tend to be lower where water transportation serves the same two points, higher where there is no water competition. For instance, Minneapolis and Limon, Colorado, are about the same distance from New Orleans and estimated railroad costs are about the same. Yet the lowest proportional rail grain rate from Minneapolis, which can ship by barge down the Mississippi, is 40 per cent less than the rail rate from landlocked Limon.

Railroads began to reduce some grain rates on a point-to-point basis in the late 1950s. These lower rates called for higher carload minimums, reduced or eliminated transit privileges and were good only from one origin to one destination. In 1958 reduced rates with limited transit privileges were introduced throughout the Pacific Northwest but were slightly more favorable in areas along the Columbia River where barges are available.

Railroads used the same pattern in reducing rates in the North Central states. Rates were lowered first between selected points where truck and barge competition was greatest. In fact, the country grain elevator opera-

tors surveyed in 1958 often complained about the discrimination of these point-to-point reductions.

In 1959 the railroads cut rates on coarse grains moving from North and South Dakota to terminal markets. The next year they did the same for grain going from parts of the Dakotas to Minneapolis and Duluth-Superior. And the trend continues as railroads try to meet the service and rate competition of truck and barge lines moving grain interstate as well as that of the St. Lawrence Seaway which makes it possible to ship directly from mid-America to overseas markets. (20)

## Survey Shows Restaurants Use Milk As Service, Not as Sales Booster

Milk gets less attention than other beverages in the world of restaurants and other eating places.

Unlike coffee, which is considered a prime builder of sales, many managers think of milk chiefly as a service to the customer. A good many managers feel this way about all beverages. But the feeling is more pronounced for milk.

This opinion of milk was revealed in a recent survey of eating places in Hartford, Conn., and Indianapolis, Ind. The study was made to provide the dairy trade with information to strengthen the demand for its product. The survey included restaurants, cafeterias, lunch counters and driv-ins.

All of which suggests that the dairy industry could make the virtues of its product better known.

One of the virtues to extoll is the margin for milk: it stands the test of competition with most other beverages served and, more important, the margin is far better than most of the managers believe.

For instance, the margin for milk sold in all eating places in Hartford was 7.8 cents per serv-

ing in the fall of 1961; the margin for soft drinks was 8.8 cents while that for coffee was about the same as milk.

But when the managers were asked what they thought the margin was for milk sales, they came up with an average of only 5.8 cents.

Another finding in the survey was that milk is apt to be missing from the menus, a fact which reduces the sales potential drastically. Twenty-four per cent of the restaurants surveyed in Hartford didn't list milk.

Milk gets practically no boost from waitresses, either. Though it was common practice for a waitress to recommend various foods to the customer, they almost never suggested milk.

On the other hand, restaurant workers don't feel that it is especially difficult to serve milk. In Hartford, in fact, milk was rated as the easiest to serve of all beverages.

As an indication of what might be done to push sales of milk in restaurants, cafeterias and so forth, about half of the managers surveyed said they would welcome recipe and menu suggestions from the trade.

Display material could also help to increase sales for milk, but here the trade would face stiff competition. From one-third to two-thirds of the promotional material distributed to the restaurants came from beverage suppliers.

The other major dairy products have their troubles, too.

Butter, for instance, took second place in total servings to margarine in Indianapolis. In Hartford, the reverse was true. The Indianapolis eating places further discouraged the sales of butter by charging for extra servings.

Even ice cream meets with less than 100 per cent support. Only two-thirds of the eating places in both cities sold ice cream. When it was sold it was not always on the menu. (21)

## Marketing Groups Need Time, Money And Farmer's Support to Aid Sales

Two heads are better than one. Fifty may be better still.

The old axiom is truer than ever today.

Nowadays the farmer is apt to be his own broker—and promoter—of agricultural products, a job that is both too specialized and too costly for the average farm operator to handle alone.

One answer is for farm producers to pool their resources in agricultural marketing groups. The group can better finance advertising programs to try to increase the demand for its product. To some extent it can control the supply of its product and prevent market gluts. And it can coordinate efforts to save money through production and marketing efficiencies.

Marketing groups should keep four points in mind:

—Keep your program workable. Money spent on advertising may be wasted unless there is enough left to finance an adequate merchandising program. Don't plan a program that's too broad in scope for the group to carry out effectively.

—Get able management. Promotional programs call for a thousand and one details in all stages—planning, coordinating, education and evaluation. A good manager can make the difference between a so-so program and a successful one.

—Have enough members. They provide the money and moral support. Include large producers as well as small so that the group can control enough production volume to have an adequate voice in setting prices.

—Keep members informed of goals and gains. Group action takes time. Membership loyalty seems to need constant re-education. (22)

## REVIVING TEXAS GRAPEFRUIT MAY SQUEEZE FLORIDA SALES

Competition, that's what Texas grapefruit growers lost out on after the disastrous freeze in January 1962. It's what growers in Florida's Indian River area provide plenty of. And it's what growers in Florida's interior grapefruit area will be worrying about when the Texans get back in the game.

That's the concensus of 163 terminal-market buyers surveyed recently in eight mid-continent urban areas, where grapefruit from the three regions often compete for retail shelf space.

Most of the buyers believed the sales volume of Florida grapefruit—especially that from the interior area—would drop when Texas again becomes a major producer. Many thought the quality of Indian River grapefruit higher than interior or Texas fruit. But they thought that low freight rates for Texas fruit would en-

able the product to compete well with Indian River fruit, particularly west of the Mississippi.

Half the buyers said their grapefruit purchases from the three areas during 1960-61 (before the 1962 freeze) were based mainly on price. Quality was most important to 27 per cent; customer preference was cited by 8 per cent.

Seventy per cent reported that no differences in profit margins resulted from buying grapefruit according to area of origin. Nearly all buyers thought shipments during the fall months were inferior to those in the winter and spring. Furthermore, most believed the quality of fruit shipped in the fall hurt sales when better fruit was available.

Twenty per cent thought producer-sponsored advertising had little or no effect on grapefruit sales. (23)





## \$6 BILLION EXPORTS LIKELY

The U.S. record for farm products exported in any one year—\$5.1 billion in fiscal 1962—will probably be topped this year by an amount approaching \$1 billion.

The outlook for fiscal 1964, ending next June 30, is for farm exports to approximate \$6 billion; they totaled \$5 billion in fiscal 1963.

Commercial sales for dollars in fiscal 1964 should reach \$4.2 billion and account for nearly all of the increase in total agricultural exports. Shipments under government aid programs are estimated at \$1.6 billion.

A large part of the \$1 billion increase in farm exports will be due to the biggest wheat exports in our history. Wheat shipments will run about 1 billion bushels if anticipated sales to the Soviet bloc go through.

Wheat and flour sales to the Soviet Union and other East European countries were authorized by the President last month. Among the conditions:

—Sales are to be at prevailing world prices.

—Payment is to be made in U.S. dollars or gold.

—Terms of sale will be cash or normal commercial credit.

Even without Soviet sales, however, our wheat exports should total about 800 million bushels, a new record. The previous record was set in fiscal 1962 when 718 million bushels went overseas. Last year's exports came to 638 million bushels. With a smaller crop this year, Western Europe is expected to buy more U.S. wheat.

But all major export commodities are expected to share in the expansion; cotton, soybeans and vegetable oils should top the list along with wheat.

These factors point to a record export year:

—Strong economic activity abroad, particularly in Western Europe.

—Alltime high gold and dollar holdings in most countries that buy U.S. commodities for dollars.

—Continuing U.S. sales for foreign currencies to countries short of gold and dollars.

—Lower textile stocks in Western Europe and Japan leading to increased demand for raw cotton imports.

—Poor grain crops, especially in the Soviet bloc countries and low quality grain harvest in Western Europe.

—Continuing U.S. export payments that enable our farm products to move into the world market at competitive prices.

**COTTON.** Exports of 5 million bales—up 1.4 million from fiscal 1963—are in prospect.

Back of the increase is an expected upturn in mill consumption in importing countries, reduced stocks in both buying and selling nations and smaller crops in exporting countries other than the U.S. Important too is the CCC export sales program that enables U.S. cotton to compete in price with similar foreign cotton.

**OILSEEDS AND PRODUCTS.** New records are in sight. Exports of edible vegetable oils are expected to top last year's 1,600 million pounds by 200 million. Because the supply of U.S. soybeans is limited, exports will not be much above the record 171 million bushels exported in fiscal 1963. However, soybean meal will likely advance to a new record due to the substantial demand in Western Europe.

**ANIMAL PRODUCTS.** Larger supplies, better quality and lower prices will help our exports of variety meats to compete more favorably with those of other surplus producers and exports should reach a new high. Similar records are forecast for U.S. hides and skins.

**DAIRY PRODUCTS.** Larger donations to emerging nations, made under government programs, should push exports well above the \$160 million worth shipped in fiscal 1963.

**OTHER COMMODITIES.** Feed grain exports should be near last year's record of more than 15 million metric tons. Rice will be down slightly. So will fresh fruits, processed citrus fruits and dried beans. Despite the continuing decline in the West German market for U.S. poultry, moderate gains in other markets will result in only a slight decline in our total overseas sales of poultry and poultry products. (30)

## Rise and Fall of U.S. Poultry Sales Prompts Our Bargaining With EEC

What's behind U.S. concern over the sharp drop in our poultry sales to West Germany?

At issue are the high tariffs imposed since August 1962 by the European Economic Community. West Germany, of course, is a member of the trading community that's trying to increase its own production and internal trade in farm products by setting up common tariffs against imports from nonmembers.

In 1962 West Germany bought over half of all U.S. poultry sold in foreign markets, some 148 million pounds. But most of these sales were made before the new tariff system went into effect in August. Our sales of fresh and frozen broilers in January-July 1963 fell 81 per cent, compared with the same period in 1962. The decline in other poultry products has been much the same.

In effect, the new tariffs have just about priced U.S. poultry out of the German market. In the meantime, French and Dutch sales have increased, mostly because France and the Netherlands, also members of the Com-

munity, don't pay the two extra levies the U.S. pays.

The rapid growth of the German market for U.S. poultry in the late 1950s can be traced to two developments in West Germany itself and a third in the United States.

First, West Germany's dollar reserves reached the point where the government could relax the rigid restrictions on imports of many farm products, including poultry. In 1959, quantitative restrictions against all U.S. poultry except broilers and fowl were removed. In 1961 even these limitations were dropped.

Second, German consumers developed a real liking for American-style chicken. Our first large shipments of fresh and frozen poultry to West Germany date back to 1956. Because of Bonn's balance of payments problems at the time, these shipments were made under the P.L. 480 program sponsored by the U.S.

The U.S. then launched a promotional program, which included free samples of American fried chicken for visitors to trade fairs in Cologne, Munich and Hamburg. And U.S. sales soared, from less than \$9 million for all poultry in the last three and a half years

- • • • •
- **Dutch Treat** •
- USDA's Food Exhibition and •
- Symposium in Amsterdam No- •
- vember 7-24 is part of our effort •
- to increase U.S. markets for •
- farm products. •
- Trying to gain an objective •
- measure of the project's success •
- will be a firm under ERS con- •
- tract. The research group will: •
- —Interview European opinion •
- leaders, food handlers, consum- •
- ers and U.S. exhibitors before, •
- during and after the affair. •
- —Audit retail food stores in the •
- Amsterdam area to measure any •
- change in the availability of •
- U.S. foods. (25) •
- • • • •

that imports were restricted to over \$32 million in April-December 1961, the first nine months after restrictions were dropped.

A third factor in this fast growing sales picture was the vast improvement in the efficiency of poultry production in the U.S. Until the mid-1950s the relatively high cost of producing U.S. poultry required us to ask an export price that was not particularly attractive to foreign buyers.

By the turn of the decade our prices were highly competitive with those of other poultry exporting countries. (24)

## News Pickups

**HEMISPHERE TRADE.** First figures indicate fiscal 1963 was the best year ever for U.S. farm exports to Canada and Latin America. Shipments topped \$1 billion, representing nearly 20 per cent of our world exports. Canada was our best customer, fruit and preparations our best sellers north of the border. Brazil was second, taking mostly wheat.

**COMMON MARKET TRADE.** In the first 12 months under the Market's variable levy system, U.S. farm exports fell 10 per cent. Sales for the year ending July 30 were just over \$1 billion, compared with \$1.2 billion in 1961-62. Exports of commodities subject to levies were

down 26 per cent, nonlevy commodities less than 1 per cent. Hardest hit were wheat and flour, feed grains, eggs and poultry.

**BRAZIL.** Bulgaria plans to build an onion dehydrating plant for the northeastern state of Pernambuco. Sofia will send along technicians to show farmers how to improve onion production and processing. Total package, worth \$500,000, will be paid in exports to Bulgaria.

**POLAND.** No more price hikes. So the government promised last March when it raised prices on coal, gas and electricity. The pledge lasted only until September, when a poor crop year was given as the reason for upping prices on many consumer items, mostly foodstuffs. (26)



**FINANCIAL REPORT:** Some countries are in an excellent financial position. Others are just as certainly in a poor position. But most are not so clearly defined. Even though there is no exact mathematical formula for placing a country in one financial category or another, many people need a general guide. Such a guide is useful in assessing a country's ability to pay for imports in dollars, either cash or on a deferred payment basis. It also helps to evaluate the country's

ability to handle the burden of additional debt servicing or to adopt internal monetary policies that may be required to qualify for foreign assistance programs. ERS periodically updates such a general guide, using the best available information on each country's foreign exchange reserves, export-import balance, balance of payments position, external indebtedness and similar indicators. (27)

Country	Aug. 1963	Sept. 1962	Feb. 1962	Oct. 1961	Mar. 1961	Aug. 1960	Oct. 1959	Country	Aug. 1963	Sept. 1962	Feb. 1962	Oct. 1961	Mar. 1961	Aug. 1960	Oct. 1959
Australia	E	E	E	E	E	E	G	Ghana	F	F	G	G	G	G	G
Austria	E	E	E	E	E	E	E	Greece	F	G	P	P	P	P	P
Bahrain, State of	E	E	E	E	E	E	E	Guatemala	F	F	F	F	F	F	F
Belgium-Luxembourg	E	E	E	E	E	E	E	Honduras	F	F	F	F	F	F	F
Canada	E	G	E	E	E	E	E	Iran	F	F	F	F	F	F	G
France	E	E	E	E	E	E	G	Iraq	F	F	F	F	F	F	F
Germany, Fed. Rep. of	E	E	E	E	E	E	E	Jamaica	F	—	—	—	—	—	—
Italy	E	E	E	E	E	E	E	Liberia	F	G	G	G	G	G	G
Kuwait	E	E	E	E	E	E	E	Nicaragua	F	F	F	F	F	F	F
Netherlands	E	E	E	E	E	E	E	Peru	F	F	F	F	P	P	P
Panama	E	E	E	E	E	E	E	Philippines, Rep. of	F	F	F	F	F	F	P
Saudi Arabia	E	E	E	G	G	G	F	Tanganyika	F	—	—	—	—	—	—
Spain	E	G	G	F	P	P	P	Uganda	F	—	—	—	—	—	—
Sweden	E	E	E	F	G	P	G	Argentina	P	P	F	F	P	P	P
Switzerland	E	E	E	E	E	E	E	Bolivia	P	P	P	P	P	P	P
United Kingdom	E	E	E	G	E	E	E	Brazil	P	P	P	P	P	P	P
Denmark	G	G	G	G	G	G	G	Burundi	P	P	—	—	—	—	—
El Salvador	G	G	G	G	G	G	G	Cambodia	P	P	P	P	P	P	P
Ireland	G	G	G	G	G	G	G	Ceylon	P	P	P	P	P	F	F
Israel	G	G	G	F	P	P	P	Chile	P	P	P	P	P	P	P
Japan	G	G	G	G	P	E	E	Colombia	P	P	P	P	P	P	P
Lebanon	G	G	G	G	G	G	G	Congo (Leopoldville)	P	P	P	P	P	P	P
Libya	G	F	F	P	P	F	P	Cuba	P	P	P	P	P	P	F
Malaya, Fed. of	G	G	G	G	G	G	G	Cyprus	P	P	P	P	P	—	—
Mexico	G	G	G	G	G	G	G	Guinea	P	P	P	P	P	P	P
Netherlands Antilles	G	G	G	G	G	G	G	Haiti	P	P	P	P	P	P	P
New Zealand and W. Samoa	G	F	F	F	G	G	G	Iceland	P	P	P	P	P	P	P
Nigeria	G	G	G	G	G	G	G	India	P	P	P	P	P	P	P
Norway	G	G	G	G	E	E	E	Indonesia, Rep. of	P	P	P	P	P	P	P
Portugal	G	G	G	G	E	E	E	Jordan	P	P	P	P	P	P	P
Rhodesia & Nyasaland, Fed. of	G	G	G	G	F	G	G	Korea, Rep. of	P	P	P	P	P	P	P
South Africa, Rep. of	G	G	G	F	F	F	P	Laos	P	P	P	P	P	P	P
Sudan	G	G	G	G	F	F	P	Mali	P	—	—	—	—	—	—
Surinam	G	G	G	G	G	G	G	Morocco	P	P	P	P	P	P	P
Thailand	G	G	G	G	G	G	G	Nepal	P	P	P	P	P	P	P
Venezuela	G	G	G	G	G	G	G	Pakistan	P	P	P	P	P	P	P
Afghanistan	F	F	F	F	F	F	F	Paraguay	P	P	P	P	P	P	P
Algeria	F	F	F	F	F	F	F	Rwanda	P	P	—	—	—	—	—
Burma	F	F	F	F	F	F	F	Sierra Leone	P	P	P	P	P	—	—
China (Taiwan)	F	P	P	P	P	P	P	Somali Rep.	P	P	P	P	P	—	—
Costa Rica	F	F	F	F	F	F	G	Syrian Arab Rep.	P	P	P	P	P	P	P
Dominican Rep.	F	P	P	P	F	F	F	Tunisia	P	P	P	P	P	P	P
Ecuador	F	F	F	F	G	G	G	Turkey	P	P	P	P	P	P	P
Ethiopia	F	F	F	F	F	F	P	United Arab Rep. (Egypt)	P	P	P	P	P	P	P
Finland	F	F	F	F	F	F	F	Uruguay	P	P	P	P	P	P	P
Free Ter. of Trieste								Viet-Nam, S.	P	P	P	P	P	P	P
Palestine, and Arabia Pen. States	F	F	F	F	F	F	F	Yugoslavia	P	P	P	P	P	P	P

**Excellent:** More than ample foreign exchange holdings to pay for usual imports; balance of payments situation satisfactory or favorable. **Good:** Exchange holdings, if prudently managed, are adequate to meet current import needs without difficulty; balance of payments situation is stabilized. **Outlook:** favorable or stable and without major adverse elements. **Fair:** Payment difficulties limit the country's ability to import freely; reserves are either (a) barely sufficient to maintain essential imports, with the outlook tolerable to

favorable or (b) currently adequate but deteriorating, with no indication of reversal of the trend; balance of payments situation is either basically weak or shifting to unfavorable. **Poor:** Exchange holdings are low or being depleted; balance of payments situation is unfavorable and earnings are insufficient for import needs; deficit is financed by drawing down on reserves and/or foreign borrowing and assistance; import capability is severely limited and foreign indebtedness is often large. **Outlook:** uncertain or unfavorable.



## SPACE AGE FOODS

New is the word for 1964—enough new food products on the shelves to make the cook hustle just to keep up with them, as manufacturers vie for the attention and pleasure of the housewife.

Among the new products already on the shelves or in the laboratories are:

**Squeeze tubes.** One company is putting out a baby food in a container modeled after the ones used by astronauts on their space flights. The aluminum tube is fitted with a hollow-handled plastic spoon which can be attached to the neck of the tube. Just squeeze, and you have a spoonful of food for the baby—or for a bedridden patient.

**Gelled applesauce.** Developed by USDA laboratories, the new apple product has the consistency of cranberry sauce and can be served in much the same way. When heated, the sauce turns to liquid and can be poured into salad molds and chilled for serving.

**Dried, blanched fruits.** An adaptation of old processes, the new method compares favorably in quality with traditional sun-dried fruits. It makes it easier to

dry such fruits as peaches, which don't sun-dry satisfactorily.

**Bulgar — back again.** Introduced as a canned, cooked form of the ancient wheat food, the newer product is an "instant" dry version. Look for bulgar to take its place in such foods as soups, main dishes and desserts.

**Frozen avocado salad.** The USDA laboratories have come up with a way to freeze guacamole, a favorite southwestern recipe borrowed from Mexican cooks. The frozen version should help to take the guesswork out of finding enough just-ripe avocados to whip up the salad.

**Instant omelets.** The blend of dried ingredients and whole egg solids will store on the pantry shelf until it is time for a quick breakfast or a spur of the moment supper. The instant omelets are already being introduced in markets throughout the country.

**Instant sweetpotato flakes.** Restaurant chefs and food processors have already had a try at the sweetpotato flakes. Now they appear to be headed for the retail shelf.

And the food manufacturer will keep on turning out new products to please the housewife. (31)

## Plentiful Beef Supply Will Help Hold 1964 Retail Food Prices Close to 1963

Food prices probably won't go up next year as much as they did in 1963.

ERS economists report the estimated 1½ per cent increase in retail food prices this year was due to unusual factors that aren't likely to recur in the coming year.

Among these factors was the Florida freeze which resulted in reduced supplies of citrus fruits and winter vegetables and sharply higher retail prices—6 per cent higher on the average in the first 9 months of 1963 than in the same period in 1962.

Another factor was the increase in sugar prices. True, sugar and other sweeteners make up only a small part of the family food budget. Prices averaged 7 per cent higher in the first 3 quarters of 1963 than in the same period last year.

While prices for fruits, vegetables and sweeteners climbed in 1963, prices for such items as meat and poultry averaged below 1962 levels. Also, prices of dairy products, fats and oils were at or below last year's levels.

On balance, it looks like larger supplies of livestock products, particularly beef, will keep retail prices for meat in 1964 around levels for this year. Fewer processed fruits and vegetables, plus continuing low supplies of citrus may cause some upward price pressures to develop. But all in all, retail food prices won't go up much.

However, eating out will cost more in 1964. But this isn't a new trend. Since the government began keeping records back in 1953, the cost of meals in restaurants and other away-from-home eating places has gone up at a rate of about 2½ per cent a year. This steady rise reflects not only increased cost of food but also higher labor and other costs in preparing and serving restaurant meals. (32)

# RECENT PUBLICATIONS

The following publications are issued by the Economic Research Service and cooperatively by the state universities and colleges. Unless otherwise noted, reports listed here and under Sources are published by ERS. Single copies are available free from the Division of Information, OMS, U.S. Department of Agriculture, Washington, D.C. 20250. State publications may be obtained from the issuing agencies of the respective states.

**MULTIPLE-PRODUCT PROCESSING OF CALIFORNIA FROZEN VEGETABLES.** Robert H. Reed, Marketing Economics Division, ERS, and L. L. Sammet, Professor of Agricultural Economics, University of California, Berkeley.

Economic and engineering research procedures are used in a synthesis of costs for a series of different plants designed for single-product output of six major

frozen vegetables—broccoli, Brussels sprouts, green peas, lima beans, and spinach. The report is in two sections: (1) Analysis of Operations and Costs, and (2) Labor and Equipment Standards and Requirements for Preparation and Packaging. The report should supply useful information to management of individual firms in efforts to improve operating efficiency, in planning new investments, and in determining short-run adjustments in product mix.

**THE RURAL SCHOOL DROPOUT—A TEN-YEAR FOLLOW-UP STUDY OF EASTERN KENTUCKY YOUTH.** E. Grant Youmans, Economic and Statistical Analysis Division. Bulletin of the Bureau of School Service, University of Kentucky. Vol. XXXVI, No. 1.

This is one of several reports on a survey made jointly by the Agricultural Experiment Station,

University of Kentucky, and the U.S. Department of Agriculture. In 1950, a total of 757 boys were enrolled in the eighth grade of the public schools in 11 eastern Kentucky counties. In 1960, 307 of these youths were interviewed. More than half the respondents had dropped out of school before completing the twelfth grade, and among these, the larger proportion had received only eight years of formal education. The report discusses the work life and community life of the young men who were interviewed.

**SIMPLE METHODS OF ESTIMATING CERTAIN NONLINEAR FUNCTIONS WITH EMPHASIS ON AGRICULTURAL DATA.** Richard H. Day, Farm Production Economics Division. AH-256.

Two elementary methods are presented for fitting three different nonlinear functions to empirical data by means of simple linear regressions. Iterative least squares methods which have been developed for estimating parameters of nonlinear functions sometimes lead to certain difficulties in application. Because this is so, the methods developed in this handbook are useful tools for application. The relative merits of this approach versus the nonlinear iterative approach are briefly described.

**TRUCK CROP PRODUCTION PRACTICES, IMPERIAL COUNTY, CALIFORNIA—LABOR, POWER, AND MATERIALS BY OPERATION.** Earl E. Gavett, Farm Production Economics Division. ERS-128.

This report contains information from Imperial County, California, on labor requirements, production practices, and costs involved in the production of

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Coordinated Livestock Marketing as an Integrated Operation (S); 19. C. J. Voshok, Jr. (SM); 20. J. R. Corley, The Changing Transportation Structure and Rates and Their Implications (S); 21. W. E. Clement, Use of and Promotional Practices for Dairy Products in Public Eating Places, MRR-626 (P); 22. D. Oldenstadt, Producer Group Action in Agricultural Marketing (S); 23. W. T. Manley and others, Competitive Practices in Marketing Florida and Texas Fresh Grapefruit, MRR-629 (P); 24. W. C. Paddock, "Developments in U.S. Poultry Trade With West Germany," Poultry and Egg Situation, FES-227 (P); 25. W. S. Hoorfacke (SM); 26. Development and Trade Analysis Division and Regional Analysis Division (SM); 27. G. P. Rice and W. E. Elrod, Jr., "External Financial Positions of Foreign Countries," Foreign Agricultural Trade, July-Aug. '63 (P); 28. F. L. Garlock (SM); 29. K. E. Ogren, The Marketing Outlook and the Consumer (S); 30. R. L. Tontz (SM); 31. P. B. Dwoisnik, Markets and New Products (S); 32. S. J. Hiemstra (SM).

Note: The Outlook Chartbook section of this issue is designed as a detachable insert. It supplements the Handbook of Agricultural Charts published in September. Write the above address for Agriculture Handbook No. 258.

Speech (S); published report (P); report in process (M); Special material (SM).



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truck crops for fresh market and processing. California leads the nation in the production of truck crops and Imperial County is the great winter vegetable producing area of the West. Truck crops, in general, require intensive labor. These requirements are highly seasonal—with several labor peaks, the highest occurring at harvesttime. Thinning and weeding are two operations still performed largely by hand labor.

**AGE-GRADE SCHOOL PROGRESS OF FARM AND NONFARM YOUTH: 1960.** James D. Cowhig, Economic and Statistical Analysis Division. AER-40.

Results of the 1950 and 1960 Censuses are used to compare the school progress of farm and nonfarm children in 1960 and to describe the changes that occurred over the decade. Highlights of the study show that between 1950 and 1960 the proportion of rural-farm children enrolled in school increased substantially. During the same decade improvement took place in the proportion of farm and urban children enrolled in grades expected for their age.

**COSTS AND ECONOMIES OF SCALE IN TURKEY PROCESSING PLANTS.** George B. Rogers and Earl H. Rinear, Marketing Economics Division. MRR-627.

Gains in turkey processing efficiency have occurred in recent years with the adoption of new technology, increases in plant size, better use of capacity and changes in the industry. The report measures possibilities for reductions in costs and gains in efficiency. According to data from 25 plants surveyed, average costs per pound decline when plant size increases. Plant managers can use these data to compare their present situations with similar plants and plan for the future.

**RURAL RESIDENTS AND URBAN EXPANSION.** Charles Press and Rodger Rice, Institute for Community Development and Services, Michigan State University, cooperating with Farm Production Economics Division. ERS-132.

This report deals with the opinions of nonfarm residents concerning urban expansion into

farm areas. The 1962 study was made in a township lying on the fringe of a growing metropolitan area. An earlier study used the opinions of farmers in the same area. The purpose of the two studies was to obtain information on attitudes residents of such an area might be expected to have toward the increasing urbanization of their area.

**SCHOOL DROPOUT RATES AMONG FARM AND NONFARM YOUTH: 1950 AND 1960.** James D. Cowhig, Economic and Statistical Analysis Division. AER-42.

Information from the 1950 and 1960 Censuses of Population is used to derive estimates of the number and proportion of farm and nonfarm youths who dropped out of school before finishing high school. Between 1950 and 1960 school dropouts among 14-to-24-year-olds declined. Dropout rates are shown by age and residence for the entire United States, and the South separately. The prevalence of dropouts among 19-year-olds is shown for each of the 50 states by residence, and by color for the southern states.













